

THE INDEPENDENT

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WEATHER Hot and sunny 40p (R 45p)

Conflict between nations is replaced by vicious civil strife that lasts for decades

The end of war – and peace

By Christopher
Bellamy

There were fewer wars last year than at any time since the end of the Cold War in 1989, according to the authoritative Stockholm International Peace Research Institute.

The Institute's latest year-book notes some intriguing trends underlying the apparently chaotic conflicts. None of last year's wars were between nations. All 30 were civil wars fought within "weak" or "failed states", apparently signalling a further shift away from the pattern of inter-state wars which has characterised the modern era.

Yet as the institute, Sipri, makes clear, the new age of warfare has brought its own terrible price. Internal conflicts can be as bloody, or worse, than international clashes, and can bubble away for years, even decades.

The United Nations Charter is not designed to deal with civil war, and there is still no consensus as to when other states are entitled to intervene. And the main military powers are increasingly called upon to commit themselves as peace-keepers or peace-enforcers, without wartime mobilisation, straining their resources.

The distinction between wartime and "peacetime" is breaking down: in that sense, the world is witnessing the end of "war" and "peace".

The number of wars is in "very slow but steady decline", according to Sipri, and it is expected to decline more sharply in the future as conflicts which were suppressed during the Cold War and have since erupted play themselves out.

Last year there were 30 conflicts in 25 different regions of the world, compared with 32 in 28 regions in 1994. There has been a slow but continuous fall since 1989, when there were 36 conflicts in 32 regions. However, wars last longer, and in intensity can fluctuate wildly.

More of the internal conflicts are now being fought over territory than over government control. Instead of "winner takes all" struggles to secure control of a state, civil wars increasingly involve attempts by local or ethnic groups to break away, or to struggle for control of resources.

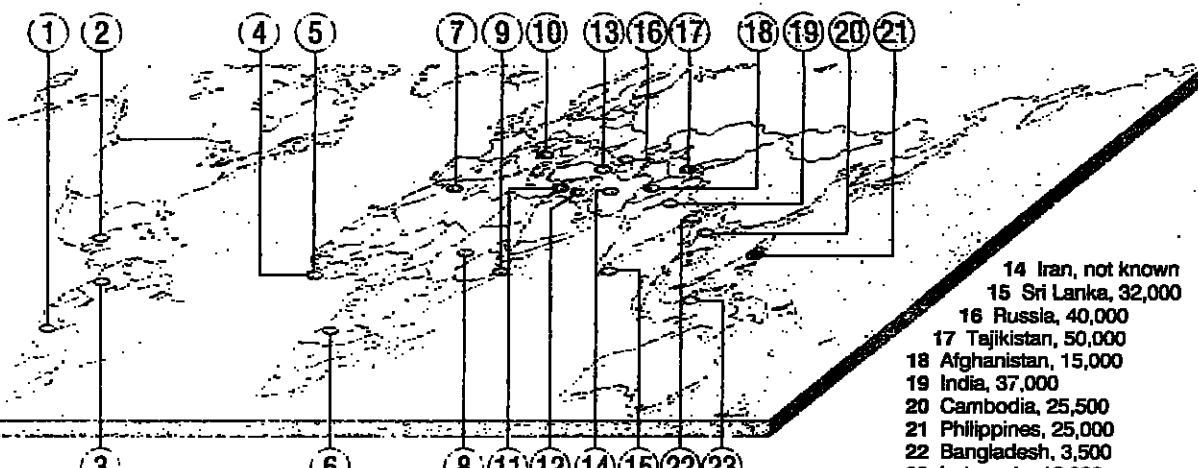


Fighting on, and on: A member of the National Patriotic Front during a battle in Liberia's capital, Monrovia. Photograph: AP

...But the bloodshed continues

Conflicts in progress in 1995 (estimated deaths)

- 1 Peru, 28,000
- 2 Guatemala, 2,800
- 3 Colombia, 30,000
- 4 Liberia, 20,000
- 5 Sierra Leone, 3,000
- 6 Angola, 40,000
- 7 Algeria, 45,000
- 8 Sudan, 40,000
- 9 Somalia, not known
- 10 Bosnia/Herzegovina, 55,000
- 11 Croatia, 10,000
- 12 Israel, 12,500
- 13 Iraq, not known
- 14 Turkey, 17,000



- 14 Iran, not known
- 15 Sri Lanka, 32,000
- 16 Russia, 40,000
- 17 Tajikistan, 50,000
- 18 Afghanistan, 15,000
- 19 India, 37,000
- 20 Cambodia, 25,500
- 21 Philippines, 25,000
- 22 Bangladesh, 3,500
- 23 Indonesia, 16,000

Two new major conflicts began in 1995: the Russian operation in Chechnya, which overwhelmed all other conflicts in its intensity and in the number of people killed, and the civil war in Sierra Leone between the government and the Revolutionary United Front. But two conflicts – in Yemen

and Rwanda – ended, and in another four – Azerbaijan, the Croat-Muslim conflict in Bosnia, Georgia and Northern Ireland – there were cease-fires of varying longevity and durability.

"Major armed conflict" is defined as that which kills more than 1,000 people a year. The worst last year, by far, was Chechnya, estimated to have killed 10,000 to 40,000 people. But, according to Trevor Findlay, the Sipri project leader for peace-keeping and regional security, many other conflicts go unnoticed. "East Timor, Bougainville, the Muslim secession in the South Philip-

pinas, the Chittagong Hill Tracts – they've been going on for years but they're not big enough yet."

Dr Findlay thought the number of conflicts would decrease further as the end of the Cold War had enabled a number of disputes that had been bubbling under the surface of former Communist states, such as the former Yugoslavia – and on the edges of the former Soviet Union, to break out. "They will sooner or later be worked through," he said.

"But Africa is different. It's not Cold-War related and is connected with resources. It is also hard to see the UN intervening on a large scale fashion in any of these conflicts."

He said conflicts in Namibia, Angola and Mozambique had all been resolved successfully, but in future the UN might stay out. Conflict is increasingly expected to break out over scarce supplies of food and water, as population

QUICKLY

Murder 'whitewash'
A report into the psychiatric care of Shaun Armstrong who murdered three-year-old Rosie Palmer in Hartlepool was a "whitewash", her mother said yesterday. Page 2

Ecstasy danger
Users of the drug ecstasy are risking long-term brain damage, according to two experts who argue the drug should never be legalised. Page 3

Russia prepares
Russian officials were yesterday completing preparations of mind-boggling proportions for the first presidential election since their country became an independent nation. Page 14

Money in blue jeans
Levi Strauss plans to give all its employees in the UK a bonus of a year's salary. Page 5

Thatcher jabs Major; he wallops back

DONALD MACINTYRE
Political Editor

John Major's patience with Baroness Thatcher finally snapped last night after she embarrassed him by handing out a large and highly public donation to William Cash, leader of this week's Commons rebellion against government policy on Europe.

Lady Thatcher's calculated and defiant piece of snook-ducking came after Mr Cash, the MP for Stafford, had been effectively ordered by Alastair Goodlad, the Chief Whip, to stop taking funding for his European Foundation from Sir James Goldsmith.

This angered some of the Conservatives' hard-line anti-

Brussels MPs and seems to have persuaded Lady Thatcher to intervene. But in what amounted to his first clear rebuke for Lady Thatcher after enduring a series of unhelpful interventions in the running battles over Europe within the party, a furious Mr Major hit back. He declared that, though everyone had a right to decide to do what they wished with their money, "Lady Thatcher must answer for her own actions. Personally I would have given the money to the Conservative Party".

After meeting Mr Cash, who has been a thorn in the Prime Minister's side for the past four years, Lady Thatcher issued a warm and public "Dear Bill" letter to the rebel MP. Mr Cash

himself had been at the centre of a furious row within his own party this week over fact that Sir James Goldsmith has been a major donor to the European foundation, which Mr Cash chairs, and which provides the hardline Euro-sceptic MP with research assistance in the House of Commons. Mr Major was said to be incandescent at the gesture towards one of his principal Euro-sceptic tormentors.

Mr Cash was bitterly attacked in public by pro-European fellow MPs and in private by senior ministers for accepting money from the billionaire tycoon, whose Referendum Party is threatening the fragile majorities in up to 20 Conservative held seats.

Mr Cash, who only yesterday morning had been accused dismissively by Kenneth Clarke, the Chancellor of "pure gesture politics", subsequently announced that while he had done nothing wrong in accepting the money he would now stop doing so.

Lady Thatcher wrote: "The work of the European Foundation in researching information about European issues is vital both to the Conservative Party and to the country. It is well known that the advocates of European federalism have never lacked access to funding. Not so those who seek to preserve British sovereignty. It is therefore all the more important that your foundation should continue its activities. As

we have discussed, I am making a donation to help it do so."

Mr Cash last night expressed his great gratitude at what he called a "substantial" donation from "one of the great prime ministers of our times". He refused to disclose the amount, but said that he had also received several "smaller but significant donations" since the argument about his funding from Sir James had blown up.

Baroness Thatcher's help for Mr Cash came as the Chancellor savaged him for taking money from the leader of a party which was going to put up candidates against the Conservatives.

Defending Mr Major's leadership over Europe, Mr Clarke, the most prominent and least

equivocal pro-European left in the Cabinet, went out of his way on BBC Radio to attack the Stafford MP.

He said Mr Cash's Bill on a European referendum was "totally incompatible" with the approach adopted by the Cabinet and the party.

"It was a gratuitous Ten Minute Rule Bill. It hadn't a snowball's chance in Hades of becoming law. It was pure gesture politics in order to curry favour with a man who it turned out afterwards was financing the organisation behind Mr Cash."

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news

There ain't nothing like a Dame disturbed

She doesn't know it, but for some time now I have been carrying a torch for Dame Peggy Fenner. Twice a week, instead of attending to the mundane and drab business of argument about how the country is being run, I look down from my eyrie in the press gallery and watch her.

Yesterday, as always, she took her seat in the front row below the gangway attired as one about to be presented to Her Majesty shortly before a Gala performance of something or other. Sometimes (bliss!) she dresses in clinging, azure coloured silks, others her long, long dresses feature fabulous patterns (once I thought she was wearing a scene of Pharaoh triumphant, taken



DAVID AARONOVITCH

from the temple of Amun at Karnak - but it is true that my glasses were steamed up at the time).

There she sits, small bag on lap, alternately looking ahead or examining her order paper. She does not shout or gesticulate. Instead she listens. But not, one fancies, to what is happening in the Chamber. It is as though she

were in the first row of seats at her own private concert, scrutinising the programme, various pieces of music passing through her immaculately coiffured head. Only the tiniest twitch, a purse of the lips, an inclination, gives any clue as to the tempo or pitch of her internal orchestra (although usually the fare seems to be a little Handel and a lot of Gilbert and Sullivan).

Yesterday, however, was different. Dame Peggy had taken her place accoutred in a slinky patterned number, with puce panels, handbag and lipstick to match. As Jacques "Buzz-saw" Arnold asked the PM - in low whine - some ridiculous whips' question about how Britain is now the richest and happiest country in the universe, Pegg

was being treated to "A Wand'ring Minstrel I".

There was no hint of the capophony to come when Tony Blair asked the Prime Minister a carefully constructed question. Had the MPs for Harrow East and Hendon North managed to wring a big concession out of the Health Secretary, with regard to Edgware Hospital, by threatening to withdraw their support from the government?

They had not, Mr Major, insisted emphatically. No deals had been done. Lots of other people had lobbied the government too: churchmen, local groups, you know. And the net result was that the A&E department at Edgware had not been saved, as the MPs had wanted. So that was that. "A

thing of rags and patches," hummed Dame Peggy silently.

Outside it was becoming discordant. Mr Blair pointed out that the MPs themselves had said that their threats had produced a positive response - would the PM categorically deny this? To which Mr Major repeated his earlier formulation. A yard away from Dame Peggy, Labour's Andrew Mackinlay was now shouting at the top of his voice. Suddenly aware that something was up she peered curiously at him from over her order paper - Wagner is not usually part of her repertoire.

When Blair stood up a third time all hell broke loose. The peasant levies on the Tory side realised that their man was in

trouble. Behind lovely Peggy, Buzz-saw moved into an intolerably high gear. The Speaker shouted at him to belt up. Then former headmaster Harry Greenway had to be warned. "What about Mackinlay?" he yelled, regressing 50 years in five seconds. Now the Dame's face indicated that Stockhausen's loudest and most experimental symphony was playing to an unappreciative audience.

Finally Sir John Gorst (one of the two MPs concerned) supported his Prime Minister - in Lenin's words, "as the rope supports the hanging man" - by revealing that the concession had only been quite big. Slumping back, Dame Peggy could hear the mournful bars of "The Last Post".

Anger at release of Whitehall conman

CHRIS BLACKHURST
Westminster Correspondent

A former civil servant jailed for the biggest single fraud by a Whitehall official when he accepted £1.3m in bribes has been freed despite refusing to obey a judge's order to repay most of the money.

The Labour Party has reacted furiously to the release of Gordon Foxley, a former Ministry of Defence official who was sentenced to four years in prison in May 1994 for accepting bribes from overseas munitions manufacturers in return for orders. Passing sentence, Judge Brooks ordered that Mr Foxley should be sentenced to an extra three years if he failed to repay £1.5m within 18 months of going to prison, a figure based on the assumption that the real size of the bribes he accepted was much higher than that given in court.

Jack Straw, the Shadow Home Secretary, who complained at the time about the leniency of Mr Foxley's sentence, has now written to Sir Nicholas

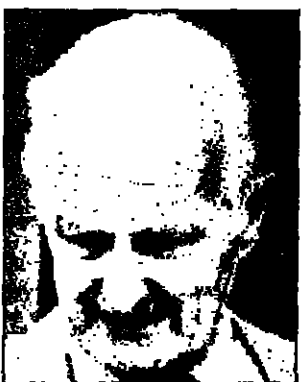
the end of July.

Any court order, though, is likely to be confined to his cash and property in this country. Mr Foxley has previously been accused by the MoD police who investigated him, of having squirreled away his bribes cash in secret bank accounts in Switzerland. The MoD police have repeatedly complained of being frustrated by the Swiss authorities in their efforts to penetrate the accounts.

The full extent of his activities may never be known. As a civil servant his salary was £25,000 a year but police found evidence of at least £3.8m passing through his bank accounts. The anger of Mr Straw, who demanded an explanation from Sir Nicholas, is heightened by the fact he is MP for Blackburn. Trade unions at the Royal Ordnance armaments factory in the town claimed that Foxley's corruption had cost the town hundreds of jobs.

Government embarrassment over his release was heightened by the release of a full confession and apology from Raufoss, one of the firms that paid him backhanders. The statement from Raufoss in Norway, said he received "commission" through a Swiss company. The payments covered the period when he was still working as the chief of MoD ammunition procurement.

"Raufoss declares unequivocally that it should not have made commission payments on MoD contracts," said the statement. The company apologised unreservedly to the MoD, said it deeply regretted the embarrassment caused and has agreed to compensate the government. Since the case, the three firms have been blacklisted from receiving new MoD orders.



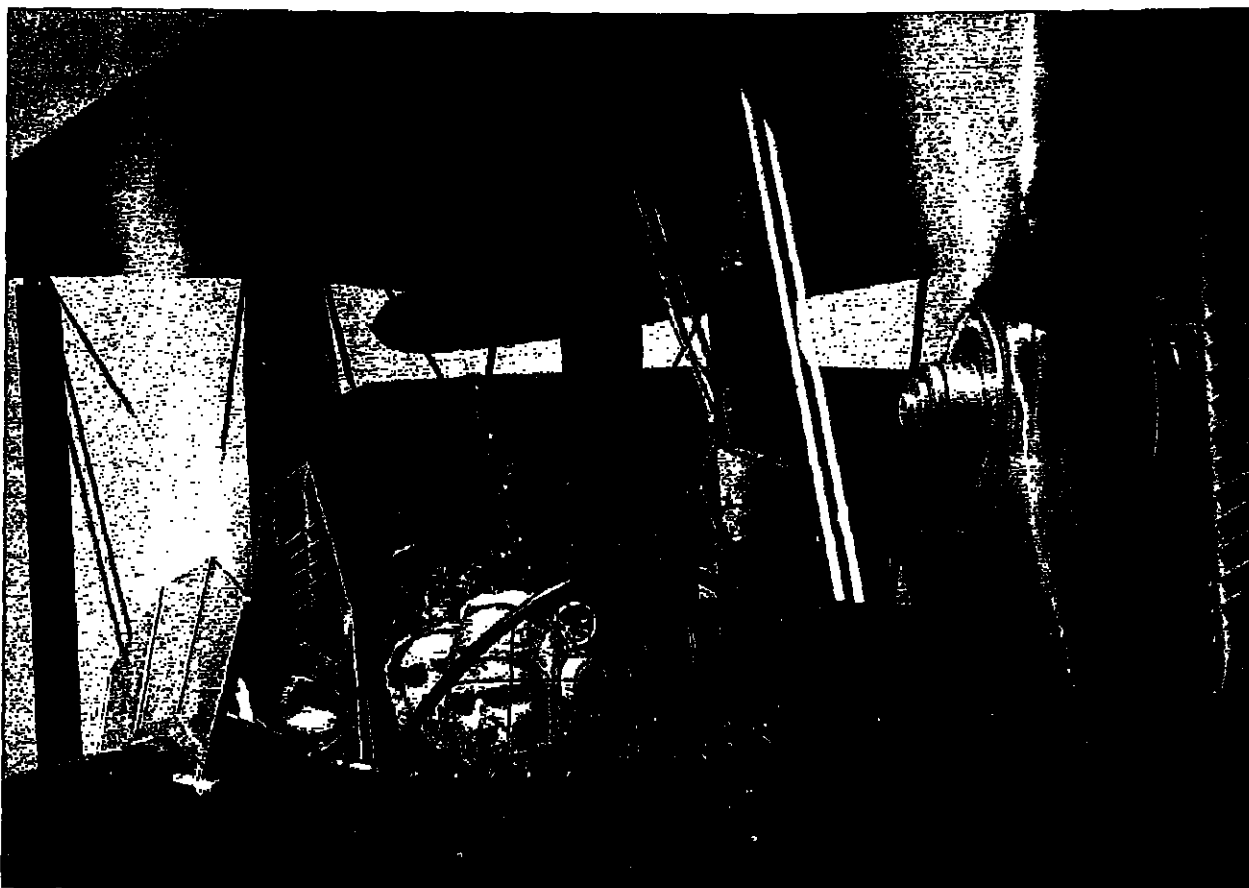
Foxley: Backhanders cost hundreds of jobs

Lyell, the Attorney-General, protesting at his swift release.

The Crown Prosecution Service confirmed yesterday that Mr Foxley had been asked to pay the money and had refused. "We did ask him and he has not paid it," said a CPS spokeswoman. The Parole Board had decided to release Mr Foxley, she said.

Mr Foxley, 71, the worst ever example of a civil servant taking bribes, is now back at his luxury home in Henley-on-Thames, while the CPS applies to the courts for a receiver to be appointed to seize his assets. A court hearing is scheduled for

the end of July. In a Parliamentary answer yesterday, James Arbuthnot, junior defence minister, said that following the agreement with Raufoss, normal commercial relations would be restored. Negotiations with the other two companies, added Mr Arbuthnot, were still continuing. The minister's answer infuriated Labour, for whom David Clark, the Shadow Defence Secretary, said: "The company's statement is but cold comfort for the thousands of defence workers made redundant in the wake of this massive fraud."



Flight of fancy: Pilot Ken Snell waving to ground staff at Biggin Hill air base in Kent before a practice flight of the replica Vickers Viny bomber, which will be the main attraction at this weekend's Biggin Hill air show. Photograph: Glyn Griffiths

Child-killer report attacked

GLENDA COOPER

A report into the psychiatric care of Shaun Armstrong who murdered three-year-old Rosie Palmer is a "whitewash", her mother said yesterday.

The care given to Armstrong was "inadequate" and full of shortcomings, but his actions "could not have been predicted" - an independent inquiry presented to Tes Health Authority concluded.

It is almost two years since Rosie Palmer's body was found in Shaun Armstrong's flat in Hartlepool. Armstrong was jailed for life last July after admitting murder.

It emerged that a year before the murder, a senior social worker had warned: "Arm-

strong is likely to be a risk to any child he comes into contact with."

The report also disclosed that Armstrong had been accused of abusing three other children, had himself been sexually abused as a child, was the product of an incestuous relationship and in turn had an incestuous relationship with his mother, had a violent past, and had drunk and drugs problems. Psychiatric reports prepared for the Crown Court diagnosed him as suffering from a personality disorder.

Armstrong's initial clinical history at Hartlepool Hospital was full of shortcomings said the inquiry and his subsequent admissions to hospital - five with-

in 14 months - was "further compromised by reliance on the initial inadequate clinical history".

The main question the inquiry team, chaired by Clyde Freeman, a Darlington solicitor, faced was whether Rosie's murder could have been prevented if Armstrong had been treated differently by the various agencies.

"The team conclude there was some inadequacy in care, but believe even if those inadequacies had not existed Armstrong's behaviour - and therefore the risk to others - could not have been predicted."

But Mrs Palmer said she could not accept that Armstrong's actions were unavoi-

able: "I will never trust the authorities again. We all live in total fear," she said.

"If the IRA plants a bomb, they are responsible. If somebody like Armstrong is given a home in a community, it is the responsibility of the authority."

The chairman of Tesc Health Authority Tom O'Connor said some recommendations had already been implemented and a review of the Care Programme Approach at Hartlepool had been carried out jointly by Tesc Health Authority and social services. "An action plan - part of which will be to devise a programme of further audits in order to continually improve the quality of CPA - is being drawn up to address the findings."

PM sets up child-abuse inquiry

REBECCA FOWLER

The Prime Minister yesterday set up a national inquiry into the widespread abuse in Britain's children's homes, claiming that he was "personally horrified" by the experiences of hundreds of young people who grew up in care.

After a Cabinet meeting in which ministers discussed the plight of children who had been sexually and physically abused, John Major announced that Sir William Utting, a former chief inspector of the Social Services Inspectorate, would investigate safeguards to protect children. Mr Major said: "Children in residential care are self-

evidently among the most vulnerable members of our society. The Welsh Secretary and the Health Secretary have been considering what action to take, and we agreed their proposals this morning."

A separate inquiry will investigate the widespread abuses in homes in North Wales, where at least 200 children lived under the shadow of paedophiles, and 12 former residents committed suicide following their experiences.

Both inquiries follow a campaign by the Independent into the scandal in Britain's homes, which only emerged when victims found the courage to reveal what had happened to them, ex-

posing networks of paedophiles. The appointment of Sir William had a mixed reception among childcare experts, who welcomed it, and former homes residents, who were concerned that the inquiry should be as independent as possible.

Sir William conducted a general report into childcare in homes in 1991. He is also chairman of the Institute for Social Work, which has campaigned for an improved system in the face of recent scandals including the largest investigation yet in Cheshire where more than 300 children were abused.

Daphne Statham, director of the institute, said yesterday: "He's a man of immense in-

tegrity and is committed to involving young people and getting their views. He has a very clear concept of the rights of young people in public care."

However, Zak Savio, 26, who was abused as a child in homes in North Wales, said: "I'm worried it's a conflict of interest to have someone who was an inspector of social services. Why couldn't they have chosen a barrister, someone who had the expertise but was separate?"

The inquiries will be overseen by Stephen Dorrell, Secretary of State for Health, and William Hague, Secretary of State for Wales. They will appoint a judge to lead the Chwyd review. John Major writes, page 19

SIGNIFICANT SHORTS

The IRA was undoubtedly responsible for shooting dead a detective last week during an abortive armed raid on a postal delivery van, the Irish Republic's Garda Commissioner said yesterday.

The assertion by Commissioner Patrick Collins followed ballistic tests confirming bullets used in the robbery that killed Garda Jerry McCabe and critically injured a colleague matched those from a Kalashnikov assault rifle used in an IRA raid in 1994. Kalashnikovs are used almost exclusively in Ireland by the IRA.

Public outrage at the murder drew 25,000 people - including the Irish President Mary Robinson, the Taoiseach, John Bruton, and other party leaders to Garda McCabe's funeral in Limerick, effectively turning the event into a demonstration against terrorism.

Postal workers are to strike for 24 hours next Friday after the breakdown of talks over a pay and productivity package yesterday. The action by 140,000 Royal Mail workers in the Communications Workers Union is the first national postal strike in a decade.

Management registered their keenness to contain the industrial action to one stoppage, but it appeared there was a deep rift over management plans to improve efficiency. Royal Mail said that no post boxes would be sealed next Friday and that employees would be paid overtime to clear the backlog quickly. Negotiations resume on Monday in an attempt to revert the action, although management concede the strike is likely to go ahead. Barrie Clement

Alex Ventob was appointed director of programmes by the BBC in a move that makes him the "creative leader" across its television and radio production. His new brief covers drama, music, arts, sport, children's and factual shows as well as English language work for the World Service.

In a move predicted by the Independent last week, he will lead the board of management programme committee on which the directors of radio and television, channel controllers and production heads sit. Previously controller of BBC1, a post which now disappears, Mr Ventob commissioned some of the corporation's most successful programmes including *Pride and Prejudice*. PA

Damages of £150,000 were awarded against police in London who falsely arrested two Turkish refugees who fled to Britain to escape persecution. Hacı Bozkurt, 35, and Baki Ates, 34, were allegedly punched and one was hit with a truncheon after they were arrested for violent disorder during a protest outside the Halkevi Community Centre, in Stoke Newington, north London, in 1991. Mr Bozkurt suffered a broken nose and Mr Ates a black eye and bruised hip. Charges against the men later collapsed.

A jury at Central London County Court found police officers at Stoke Newington guilty of using excessive force, false imprisonment and malicious prosecution after a six day trial. Both men had been granted political asylum after fleeing police persecution in Turkey for their left wing views. Police are appealing against the award.

A libel action was settled by two MPs, Clare Short, Labour's transport spokeswoman, and Kevin McNamara, a former party spokesman on Northern Ireland, accepted damages and legal costs in settlement of a libel action against Stuart Sexton, the Conservative candidate at the North Down by-election in June last year. Paul McPartly, chairman of the North Down Conservative Association, and the *Guardian* over a press release claiming they were "well known for their support of Sinn Féin/IRA and a failed republican Ireland". The defendants acknowledged both MPs had never supported the IRA or any party promoting terrorism. Patricia Flynn Davies

The aftermath of the Dunblane tragedy could cost Stirling Council more than £3m, it emerged. The council has made a formal submission to the Scottish Office for help with the bill as officials fear that if the Government fails to pick up the tab it will have a "considerable impact" on council taxpayers in the region.

Ron Coll, chairman of Stirling's resources committee, said: "This is money that is being well spent so that the people of Dunblane receive the help and support they need to get them through this terrible time." The highest cost at £128,177 is for social work services, including a 24 hour counselling service. The police bill stands at £255,600.

British Gas has paid nearly £8.5m in compensation to 400 women who were forced to retire at 60. After 10 years of litigation ending in the European Court of Justice in Luxembourg, the former employees, who were made to leave the company in the late 70s onwards, received an average £23,000 each in out-of-court settlements with individual amounts ranging from £1,000 to £59,000. All insisted they wanted to work until 65 like male colleagues.

Germany's parliament voted to legalise abortion by a two-thirds majority. The decision, after eight hours of emotional debate over two days, ends an 86-year-old law that made abortion punishable by life imprisonment. The change abortion can be carried out up to the 12th of pregnancy, provided two doctors approve. Philip Jones

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Tomorrow's world: A new exhibition celebrates the great predictions of celluloid

We have seen the future – and it works (mostly)

MARIANNE MACDONALD
Arts Correspondent

From life on Mars to peevish robots, film-makers have been predicting the future for a century. In a surprising number of instances they got it right, an exhibition opening today reveals.

Image-ine, at the Museum of the Moving Image on London's South Bank, looks at how film-makers of the past not only visualised the future, but in some cases helped make it happen.

Philip Strick, who is writing an encyclopedia of science fiction film and acted as an adviser for the exhibition, said many scientific advances had been foreshadowed on film long before they were invented.

"Even in the first 10 years of cinema you can spot ideas about artificial intelligence. In *The Phantom Empire*, a film serial made in the late 1930s, there was a tin man," he said.

"Films made about 1910 had people going into hotels which were entirely self-operating. Everything is done mechanically, light is turned on mechanically,

food is provided mechanically. "Now, of course, if you have enough money you can have your own home doing the work for you at a verbal command. Lights will switch on, the television will come on when you tell it to."

Other examples predicted the closer future with uncanny accuracy. The 1909 film *The Airship Destroyer* offered a chilling insight into the kind of destruction Britain would endure in the First World War.

Shots showed balloons, dirigibles and aircraft crowding the air over the capital and dropping bombs (admittedly heaved overboard manually) on vehicles below, including a tank.

An even earlier film, made by Georges Melies in 1903, predicted Neil Armstrong's moon landing of 66 years before it actually took place. Less than 10 minutes long, *Trip To The Moon* showed a rocket being fired off by a cannon and landing on the moon's surface.

Out poured warmly-dressed explorers who investigated the life forms they found – an energetic group of dancers re-



Fiction into fact: Scenes from *Things to Come* (top, and above centre), which foreshadowed the rise of Fascism, *Blade Runner*, which explores the ambiguities of human and android existence (left) and the workers' nightmare, *Metropolis* (right)

cruited from the Folies Bergeres. Attempts at realism fell down, however, when the scientists returned to earth using only the forces of gravity.

Later films such as *Destination Moon* by George Pal in the 1950s also showed men being fired by rockets to the moon. Such was their popularity that

they acted as a kind of marketing tool for the scientists in the space race – and even, some argue, helped the reality happen.

Another well-known film from 1936, *Things To Come*, foreshadowed the rise of fascism and the Second World War, while reality is still catching up

with a far more modern film, *Bladerunner*, made in 1982, Mr Strick points out.

"One example is the stark look of the city, and another is the portrayal of a society almost dominated by Eurasian and Far Eastern interests. The film also has gimmicks like umbrellas with illuminated handles

which people carry around to light their way.

"Most crucially, it offers the notion that sophisticated machinery will eventually reach the point where we are unable to tell robots from real people. You could watch a nightclub performer and not know if they were human or artificial."

Last but not least, there is *Star Trek*, which has long shown Captain Kirk and his team casually passing through remotely-operated doors, examining holograms and chatting by the equivalent of the video phone.

The exhibition ends October 9.

Ecstasy users 'risking long-term brain damage'

GLENDIA COOPER

Users of the rave drug ecstasy are risking long-term brain damage, according to two experts in the *British Medical Journal* who argue the drug should never be legalised.

While there has been much publicity about the poisoning effects of ecstasy, following events such as the death of 18-year-old Leah Betts, the long-term dangers have largely been ignored.

But Professor Richard Green, from the Astra Neuroscience Research Unit in London, and Professor Guy Goodwin, of the MRC Brain Metabolism Unit, Royal Edinburgh Hospital, believe the drug's permanent psychiatric effects are potentially more damaging than its toxicity.

The drug, otherwise known as MDMA, produces a euphoric rush with feelings of exhilaration and the ability to

dance for hours. The downside is that body temperature can rise extensively, leading to heatstroke, convulsions and death.

An estimated 500,000 people take ecstasy in Britain every week but only a small number of people have died – about 50 in Britain since the late 1980s.

The Home Office believes that 10 per cent of 14 to 19-year-olds have experimented with the drug.

The question of long-term

damage from using ecstasy has been a controversial one. But experiments with laboratory rodents and monkeys have shown that mild doses of the drug caused long-term destruction of nerve cells in the brain concerned with the release of a mood-altering chemical, serotonin. Even when the destroyed nerve cells regrew, they did so in an abnormal way.

"No unequivocal evidence yet exists that regular users of ecstasy have brain damage but the studies that have been performed give no grounds for reassurance", the professors said.

One study found that 30 regular users of ecstasy have lower concentrations of serotonin in brain spinal fluid, similar to the effects seen in monkeys.

Another study in the US, carried out for the Food and Drug Administration on 18 human volunteers who had taken the drug before, found "profound"

and "permanent" effects on the brain which were confirmed by brain scans on long-term users.

Since serotonin played a major part in mood control, regular ecstasy users might be expected to have psychiatric problems – and there were case reports to support this.

"What is of great concern is the possibility that the neurotoxicity in humans might be slow and insidious, and that problems

such as major depression will appear only in several years' time." The authors added. "A recent editorial argued against legalising ecstasy because of the problems of acute toxicity. To this we add that no one should seriously consider legalising a compound that can be shown to cause long-term neurodegeneration in rodents and primates at doses that differ little from those used recreationally by humans."

The treatment worked particularly well in men whose impotence had a psychological component. None of the patients reported side-effects such as headaches, dizziness or pain and none reported complaints from their partner.

The author, Professor Adel Gomaa, professor of pharmacology at Assiut University, Egypt, concluded: "Even though more studies are needed, treatment of impotence with a cream ... might be considered before the intracavernous injection of vaso-active drugs."

Mr Darren Balles of Durham

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Bright as a button: The millennium package deal will see staff being paid a year's bonus salary

Levi's £500m bonus aims to keep staff riveted with joy

MICHAEL STREETER and ROGER TRAPP

At 2pm yesterday the world-wide boss of Levi Strauss, Bob Haas, informed his 1,600 United Kingdom employees of a "wonderful plan" to reward them.

Mr Haas was speaking from San Francisco via a pre-recorded video to his staff in Scotland and Northampton, but his scheme was even more revolutionary: To pay each of them a bonus of a year's salary.

Staff at first were nonplussed. "At first I thought 'why?' said warehouse packer Dave Sangster, an employee for only six months who stands to gain £11,000. "But then I realised there was no catch. I'm pretty chuffed."

The plan, which flies in the face of "downsizing" and talk of leaner and fitter workplaces, involves all 37,000 permanent staff world-wide receiving the bonus

at the end of 2001. The only qualifications for the millennium package are that employees have to work for at least three years from now and that the jeans company reaches its goal of a \$7.6bn (£5bn) cashflow.

The payment is based on salaries on 17 April this year and those who leave after three years will still be paid a pro-rata amount of the bonus. If the target is exceeded they could earn even more.

At the company's distribution centre at Moulton Park near Northampton a 60ft marquee was erected to announce the news, and the 190 workers were treated to jugglers, mime artists and a jazz band as they signed certificates of participation.

The scheme, thought to be the first of its kind in the world, is regarded by the firm as a reward for hard work and an incentive for more profitability in the future. Janie Ligon, its UK

general manager, said: "Motivated employees are our source of innovation and competitive advantage. We are not a charity. If we achieve our target then we will be more profitable and will share in this with our employees."

The £500m cash bonus is the latest in a series of steps taken by Mr Haas, the chief executive, in his effort to transform his family company. The great-grand-nephew of the Bavarian immigrant who founded the company, took over in 1984, when the glory period of the 1970s had come to an end. Recession, the baby-boom generation's lack of interest in traditional jeans and the advent of low-cost competitors had put the management into a quandary.

Though the bonus scheme is evidence of Mr Haas's continued commitment to the company's employees, it was not always that way. Between 1984

and 1990 the company reduced the number of product lines by two-thirds and between 1981 and 1986 shed 17,000 people on the back of shutting 59 factories and service facilities.

But this trimming down of operations and of hierarchy has given the organisation a focus that Mr Haas and his executives have built on since taking the company private via a leveraged buyout in 1985. The company has performed so strongly that the debt has been paid back and the organisation valued at \$13bn. World-wide sales last year were \$6.7bn.

At a time when many organisations set out visions and mission statements, Mr Haas has fought to make the company live up to the ideals set out in its "aspiration statement". Specifically, its leaders must abide by very high ethical standards, value diversity in such areas as age, sex and race; push

responsibility down the organisation; show recognition for good performance; and make a commitment to helping people learn and develop.

Financial analyst Shirley Hill, 40, who has been with the firm for 13 years and who will pick up a bonus of £22,000 said the news did not come as a huge surprise. "It's the sort of thing you almost come to expect from Levi's. It's a good feeling to be wanted by a company."

Reaction was equally positive in the three Scottish manufacturing plants in Bellshill, Dundee and Whitburn.

Des Farrell, national officer of the GMB general union, said: "It is great news for the workers and can only help the success of this company. Levi Strauss have taken a giant leap into the next millennium by rewarding their workers. They will see record-breaking returns in productivity and loyalty."

Caring and sharing boosts firms' profits

ROGER TRAPP

Rare as it might seem, other enlightened companies have also shown that generosity to staff can help enhance profits. Marks & Spencer, which recently consolidated its position as Britain's leading retailer with a strong rise in profits to nearly £1bn, has long had a reputation for looking after its staff and rewarding them well. The patrician atmosphere has receded a little recently, but it still has extensive benefits, including a non-contributory pension scheme, various profit share and bonus schemes and comprehensive health care for the 54,000 UK employees.

JOHN LEWIS PARTNERSHIP INC

The department store group the John Lewis Partnership has—as its name suggests—long involved its employees in the success of the company. Staff, who become partners as soon as they receive permanent contracts, have enjoyed a share of the profits since the 1920s, when Spedan Lewis began the process of transferring ownership of the business he inherited from his father to the employees.

In the 1980s, the profit share passed the 20 per cent level before slipping below double figures in the early 1990s. Last year, the 35,000 partners in John Lewis, Peter Jones and Waitrose shops around the country shared in a total bonus of £57m, about half the amount left in profits after tax.

Each person—from the chairman to clerks—received 15 per cent of their salaries, equivalent to nearly eight weeks' pay.

HEWLETT-PACKARD

In the United States, the electronics company Hewlett-Packard has attributed its continual growth over more than half a century to trusting its employees and giving them share of the organisation's success.

Started in what is now known as Silicon Valley shortly before the Second World War, it still ticks to the credo of founders Bill Hewlett and Dave Packard: "Employees 'come to work' to do a good job, not to screw up." From its early days, it has

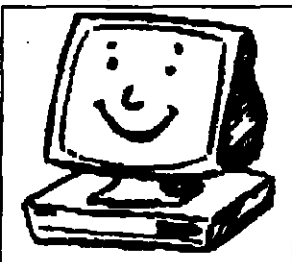
operated a bonus scheme, or profit share, under which all employees around the world receive a share of the profits every six months.

Last month, the pay-out to the more than 100,000 employees was 12.8 per cent, though the basis of the scheme is under review because falling costs are likely to make the amounts paid unrealistic.

Semco

The Brazilian manager of Semco, Ricardo Semler, stunned the business world three years ago, when he published a book, *Maverick*, in which he explained how he had transformed his ailing family-owned manufacturer of pumps, mixers and other industrial equipment by turning the organisation's hierarchy upside down.

Employees set their own hours and, in some cases, their own salaries and everyone—from senior executives to messengers—has access to financial information. In the decade and a half since Semler took over Semco from his father, sales have increased by more than six-fold and profits have risen 500 per cent.



Happy Computers

But you do not have to be big to look after your employees and get results. North of the City of London, Henry Stewart runs an information technology training organisation called Happy Computers along the same lines as some of these companies.

Founded five years ago, it has grown by 50 per cent a year, to reach a turnover of £750,000. The 12 employees get 20 per cent of their salaries in the form of profit-related pay, control their work and even write their own job descriptions.

Free ice-creams are available every day, though some staff have begun turning them down on grounds of weight gain, and Mr Stewart, whose clients are mainly charities, says the guiding rule is still "four hugs a day".

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RECEIVED

Britain is reduced to 16th in world league

COLIN BROWN
Chief Political Correspondent

John Prescott yesterday accused the Government of presiding over "17 wasted years" after the Deputy Prime Minister, Michael Heseltine, unveiled a White Paper on competitiveness confirming that Britain had slipped from 15 to 16 in the world league since the Tories came to office.

The centrepiece was the proposal to boost education and training for those over-16, re-

vealed last week in the Independent. Mr Heseltine promised a White Paper on self-government in schools with legislation on discipline in the autumn.

John Redwood, former Secretary of State for Wales and leading right-winger on the Tory backbenches, urged the Government to go further. He called for whole class teaching, more learning of tables, and a revision to traditional methods of teaching. Today Mr Redwood, leader of the Conservative 2000 Foundation, will

Michael Heseltine launches White Paper designed to create enterprise centre of Europe

challenge the Labour leader Tony Blair to co-sign a letter to the 10 worst-performing education authorities drawing their attention to the problems of numeracy and literacy.

The White Paper - creating the enterprise centre of Europe - also contained proposals to cut red tape on business, and persuade firms to pay bills on

time, but it took all Mr Heseltine's presentational skills to avoid embarrassment in the Commons. He told colleagues when he ordered the audit of Britain's competitiveness that he would "take it on the chin". He was privately advised against publishing some of the details, but yesterday his bullish performance did not seek to hide

the fact that Britain still lags behind the rest of the world. Britain's position would have been two places lower in the league, but Mr Heseltine insisted that Singapore and Hong Kong, who were higher, could not be included in the table of world competitiveness because although highly successful, they were not members of the Or-

ganisation for Economic Co-operation and Development.

Mr Prescott said the 236-page document was "fatter, and has more pictures and more than a whiff of the forthcoming general election about it". The deputy leader of the Labour Party accused the Government of managing decline.

Mr Heseltine put the best gloss on the report, insisting that it showed the decline in Britain's position had been arrested after the Tories came to power in 1979. Between 1982

and 1993, Britain grew faster than any of the G7 countries apart from Japan.

"We have the highest level of inward investment as a proportion of GDP of any developed country - we attract over a third of all the inward investment into Europe. It is the biggest vote of confidence we could have," Mr Heseltine said. But there was laughter in the Commons when he said Britain's relative position according to the OECD figures had gone from 15 to 16 over the

past 17 years, not down to 18 in the league table. Mr Prescott shouted "flogging ahead" - the name of an earlier White Paper on competitiveness.

Behind the White Paper, however, there are battles over the action needed to improve education and training, which promises to be a key battle ground at the election. Gillian Shephard, Secretary of State for Education, announced proposals to reform teacher training and promote self-improvement within schools.



Heads down: Pupils studying in a Singapore classroom where, according to a government skills audit, they gain a higher level of literacy and numeracy skills than their British counterparts. Photograph: Jenny Matthews/Network

Illiterate workers slip to the bottom of the class

FRAN ABRAMS
Education Correspondent

Britain's workforce is less literate and less numerate than its main competitors, figures compiled for yesterday's Competitiveness White Paper have revealed.

However, workers here are more likely to be educated to degree level than those in France, Germany and Singapore.

A skills audit carried out by government departments shows that most multi-national companies think British workers only have an adequate level of skill in mathematics, reading and writing.

They rated those in France, Germany, Japan, Singapore and the United States as better equipped in literacy, while all countries except the US rated higher in numeracy.

The document promises a new emphasis on basic skills as well as a consultation on vouchers for 16-19 education and a further White Paper on selection in schools. It is the third in series of initiatives to increase Britain's performance in

THE SCHOOLS

comparison with its main competitors.

It shows also that Britons are less likely than people in other countries to have the equivalent of 5 GCSEs at grades A to C. They are less likely to have two A-levels than their counterparts in Germany, but are ahead of those in Singapore and the US and equal with France.

At degree level, the US is ahead of its competitors with 22 per cent of adults having completed a university course. In Britain, 19 per cent have done so while France achieved a level of 16 per cent, Germany 15

per cent and Singapore 12 per cent.

The paper also shows that the best-qualified British employees now earn proportionately more than they did in 1979, while the least-qualified earn less. People with degrees earned 150 per cent of the median male wage in 1993, compared with 148 per cent 15 years earlier. Those without qualifications earned 91 per cent of the median in 1979, but this had dropped to 81 per cent by 1993.

Speaking at the launch of the White Paper, Gillian Shephard, the Secretary of State for Education and Employment, said the audit did not reflect the improvements which had been

made. In 1995, more than two-thirds of young people achieved 5 or more GCSEs, compared with just over a half in 1990, she said. The number passing at A-level had risen from 30 per cent to 44 per cent in the same period and the number of 18-year-olds in education and training had risen from 45 per cent to 60 per cent.

She admitted that there were areas where Britain needed to improve its performance, however, and promised initiatives to increase both A-level passes and levels of literacy and numeracy.

"Education and training is crucial to our competitiveness. We have a major programme of reforms in place to tackle well over a century's neglect of this country's skills needs," she said. David Blunkett, Labour's spokesman for education, accused the Government of failing to equip the nation with the skills it needed.

"The Tories must own up and accept their responsibility for their failure, and stop trying to blame Gladstone and Churchill," he said.

How we lag behind, or words like that

Survey of multi-nationals:
(20 equals average), 40 equals good.
Literacy: UK 22, USA 23, France 24, Germany 28, Singapore 30, Japan 35.
Numeracy: UK 21, USA 21, France 25, Singapore 30, Germany 31, Japan 40.
Survey of 40 multi-nationals:
Percentage of adults with five high-grade GCSEs or equivalent:
UK 45, USA 50, Singapore 51, France 65, Germany 70.
Percentage of adults with two A-levels or equivalent: Singapore 23, USA 29, UK 30, France 31, Germany 62.

Small firms' fury over debt blame

PATRICK TOOHER

SMALL BUSINESSES

The Government yesterday angered small companies by claiming they were to blame for not getting paid on time.

Rejecting calls to introduce laws that would give firms the right to claim interest on overdue bills, Richard Page, the minister for small business, said: "Small companies are so delighted about winning an order they forget about getting paid."

His remarks came as the Deputy Prime Minister, Michael Heseltine, unveiled a £200m package of support for small and medium business in his third Competitiveness

White Paper, including help for small firms to recover debts.

Mr Page's comments were condemned by the Forum of Private Business, which speaks for 24,000 members. "It takes a blind nerve to suggest small companies bring this on themselves," said Dave Harrop.

"Dominant customers know full well they can get away with not paying their bills on time." A survey by the Confederation of British Industry found late payment is a problem for almost half of small and medium-sized businesses.

Almost a quarter have to wait up to 90 days before being paid, causing cash-flow problems, difficulties repaying bank loans and the collapse of up to 5,000 businesses a year.

A Bill going through Parliament gives contractors greater protection. But Mr Page urged small firms to put their own house in order by improving credit management, to reduce the problem of late payment.

He cited recent research that found less than one-fifth of smaller firms had a credit policy, two-fifths did not agree terms in writing before a sale and 83 per cent paid their suppliers late.

The issue of late payment shot to the top of the political agenda earlier this year following remarks by Mr Heseltine that as a small businessman he had been "quite skilful at stringing along the creditors". Late payment, he said, was part of the culture of British business.

The Prime Minister, John Major, promised to look at ways of shaming late payers into settling debts on time. But the Government has stopped short of introducing a statutory right of interest, arguing that it would legitimise late payment.

Instead, companies are now obliged to state what their policy on late payment is.



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news

'Overuse' of remand is filling women's jails

HEATHER MILLS
Home Affairs Correspondent

Magistrates should stop remanding so many unconvicted women into the country's over-stretched and under-resourced jails, the Chief Inspector of Prisons said yesterday.

Sir David Ramsbotham called into question sentencing practice - which has produced a huge hike in the number of female prisoners - as he reported on the turnaround in dreadful conditions at Holloway prison in north London, which had caused him to walk out in disgust last December.

The once rat-infested, squalid jail, where prisoners were locked up 23 hours a day, pregnant women were shackled while in labour and morale was at rock bottom, was now "decent" and working again, Sir David said. But he warned that there was still a long way to go and added

"never again must Holloway or any other prison in the UK be allowed to sink into the situation that we then found".

According to Sir David, many of the jail's problems arose from its use as a remand centre for 240 courts around the country and half of its 500 inmates were unconvicted and often in on short-term, even overnight stays. He is said to want magistrates to make greater use of bail hostels - many of which are now being under-used and closing.

"I wonder whether some of the people remanded by the courts should be here," he said yesterday. "I think it would be appropriate for the courts to consider whether their instructions to magistrates are right and whether magistrates are committing people to prison who should be looked after somewhere else."

The Chief Inspector was particularly concerned that the

country's jails were ill-prepared to deal with the special needs of women - in particular their needs as mothers and the fact that many of them have been abused.

Yesterday prison reform groups confirmed the progress made at Holloway, but they warned that budget cuts coupled with the spiralling prison population - now at 54,764 - meant many of the problems which faced the jail six months were in danger of being repeated across the country.

Paul Cavadin, chair of the Penal Affairs Consortium, said: "Prisons are having to cope with a rapidly rising population while making staff redundant. There is a real risk of other prisons being plunged into the same kind of mess that Holloway was in last December."

Yesterday there were also warnings that prison budget cuts and a burgeoning population were threatening drug

treatment programmes in jails. Lady Runciman, chair of the Advisory Council of the Misuse of Drugs, said that much progress had been made in developing anti-drug and treatment policies for prisons. "But overcrowding and staff cuts are jeopardising the whole prison strategy," she said.

The council's report confirmed that drug abuse was widespread with jails but knocked down the suggestion that prisoners were "entering as shoplifters and leaving as drug addicts". However the council had found that there were a "significant" minority - probably less than 1 per cent of the prison population - who had injected drugs for the first time while in jail, thus increasing their risks of HIV and hepatitis.

□ *Drug Misusers and the Prison System*: HMSO PO Box 276 London SW8 5DT; £9.



Howzat? A female MCC member watching yesterday's one-day match between England and New Zealand women's cricket teams from the pavilion at Lord's - the first time women have been allowed in unaccompanied. Photograph: Peter Macdarmid

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Bill likely to lengthen wait for divorce

NICHOLAS TIMMINS
Public Policy Editor

Nine out of 10 couples with children will have to wait longer to get divorced under the Family Law Bill as it now stands, figures released yesterday by the Office for National Statistics (ONS) show.

Its analysis of the length of time it took in 1994 to achieve a divorce injects fresh ammunition into the debate around the Government's Bill.

Far from making divorce quicker, the figures demonstrate that for most couples it will take longer.

The figures came as the latest statistics show that divorce fell again last year, down to 155,500, down from a peak of 165,000 in 1993.

The office insisted yesterday that the publication of its analysis in *Population Trends*, just as the debate over divorce law reform reaches a climax, was "purely coincidental". But Lord Mackay's supporters will seize on the numbers to reject the argument that he is making divorce quicker and easier.

In 1994, a year that is typical of recent years according to ONS, just over half of the 158,000 divorces were to couples with children under 16.

And two-thirds of all divorces were fault based - on grounds of adultery, unreasonable behaviour, or desertion - rather than because of separation.

Couples with young children were more likely to use fault-based routes than separation, possibly because there are greater practical difficulties. But the 1994 figures show more than 40 per cent of divorces are made absolute within six months of a petition being filed and 80 per cent within a year. The average was six months where the husband sought divorce and seven months where the wife was the petitioner.

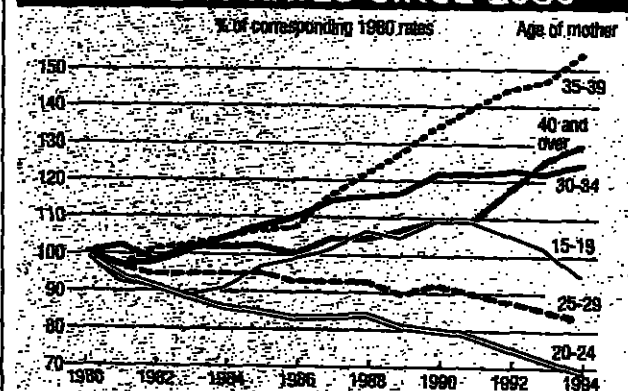
Under the Bill as it stands, couples who agree to divorce and have no children will have to wait 12 months. And where there are children under 16, the wait will be 18 months.

As a result, John Haskiey, an ONS statistician said, "about nine out of 10 couples with children under 16 will have a longer wait, and for other couples, the minimum 12-month period will involve about four in five having to wait longer."

These figures measure the time from a petition being filed to degree absolute being granted - the legal process of divorce, as opposed to the time people remain married after the marriage has broken down.

But even if divorces granted on two-years and five-years separation are removed from the figures, 60 per cent of couples with children under 16, and just over half of other couples will wait longer than under the current system, Mr Haskiey said. □ *Population Trends 84* (Summer 1996) HMSO £11.

FERTILITY RATES SINCE 1980



One in five women set to be childless

Britain's population is set to fall for the first time since the Black Death as more women remain childless and family sizes stay small, the Office of National Statistics said yesterday, writes Nicholas Timmins.

The UK's fertility rate has been below the level needed for the natural replacement of the population for more than 20 years, Bob Armitage, a statistician with the ONS said.

Women are having children older, with fertility rates falling for women under 30 and rising for those above that age. The proportion of women who never have children has increased and looks set to rise further. Of those born in 1944 only 10 per cent remained childless. For those born in 1949 the figure is 13 per cent. But for those born in the 1960s, the trends indicate that more than one in five are likely to remain childless, a proportion not seen since the first two decades of the century when the First World War decimated the country's

youth and left many women to live their lives out as spinsters.

Many factors may explain the decision not to have children, Mr Armitage said, including women's greater access to education and employment.

At present, births still exceed deaths each year because the baby boomers of the 1960s generation are reaching peak child-bearing age. But as they age, the smaller numbers born in the 1970s, when fertility fell and then stabilised, are likely to have fewer children overall - producing a population decline in around 2025 as those born in the post-war baby boom start to die in numbers.

Apart from a statistical blip in 1983, it will be the first time the UK population has fallen in 600 years - since the Black Death in the mid-14th century.

Italy, Spain, France and Germany all have lower fertility rates than Britain, the first two and Portugal being likely to enter population decline ahead of the UK.

صلى الله عليه وسلم

Blood, gore and Bible in 90 minutes at Fringe

LOUISE JURY

More than 9,000 people will stage 14,060 performances of 1,238 shows in 187 venues to celebrate the half-century of the Edinburgh Festival Fringe. The more unpredictable sister to the International Festival of the Arts takes over the city in August.

It was claimed yesterday at the official launch of the Fringe programme that this year's event will be the largest arts festival in the world since records began. The organisers have calculated that buying a ticket for every show would cost £7,382.85 but since it would take more than 550 days to watch them all and to end without sleep, no one's bill will be that high.

Hilary Strong, fringe director, described the 144-page programme as presenting an "unparalleled selection of the world's greatest artists in comedy, dance, music, theatre and visual art". And she hoped it would continue the tradition of launching new careers, exploring ideas, pushing back boundaries and, possibly, simply shocking people.

The blood and violence quota will be raised by the first British stage performance of Quentin Tarantino's cult film *Reservoir Dogs* and if the stomach has not been churned by the experience a three-course meal will be on offer in the company of Dr Faustus.

The complete story of the Bible is to be told in 90 minutes, 30 dancers will do the first Scottish version of *Riverdance*, paying tribute to William Wallace

and Rob Roy, and a "site-specific performance" will be staged in a three-storey car park.

The writer Irvine Welsh's first play, *Headstate*, is being revived in the wake of his book/play/film success with *Trainspotting* while more mainstream revivals include the family musicals of *OklaHama!* and *Oliver!* and no fewer than three versions of *The Little Shop of Horrors*.

Established favourites returning to Scotland will include the entertainer Jojo Holland, the comedian Lee Evans and the anarchic French circus *Archives*.

Perhaps appropriately, the Scottish play will be most performed, with six different versions of *Macbeth*. There will be four versions of *Bouncers* by John Godber, one the fringe's hardy annual contemporary writers, and three of *Antigone*, *Hamlet* and *Tartuffe*.

More than half of those taking part will come from England, just under a third from Scotland and others from as far away as Asia and Australia.

To encourage wider participation, Ms Strong yesterday announced three new schemes for the three-week extravaganza. Edinburgh's first circus school will offer 10- to 16-year-olds a role in a joint venture with the city council. The research and development arm of the National Theatre will leave London to stage classes and workshops for actors, writers, directors and the general public in the Fringe Club. And the *Big Issue* newspaper for the homeless is hosting a series of events to raise money for music and theatre groups for its sellers.

A fun time with no food or sleep

Erecting the six-tier seating was tough. The 5am dress rehearsal the day we were due to open was less than ideal. The debate over why our allegedly flame-resistant black drapes caught fire when the brigade tested them with a match for safety reasons is unresolved.

Probably the biggest nightmare of three weeks as a student thespian on the Edinburgh Festival Fringe was sharing a two-bedroom flat at huge expense with 13 (or was it 15?) other people. A holiday it wasn't.

The flat was an improvement on original arrangements. In a moment of madness we had decided to cut costs and stay in our hall-turned-theatre next to a bus station in Leith.

The insanity of this living-on-the-job arrangement became clear on the first night. Even the allure of cheap food in the bus canteen paled as our suspicions grew that the incomprehensible bus-workers did not approve of a bunch of Oxford undergraduates.

But it was all part of the experience. Anyone going to perform on the Fringe has to be mad if they think they will eat, sleep or make money.

You fly-post when not performing, entertain at the strangest hours and adjourn to the Fringe Club for the terror of reviews in the first-edition newspapers.

Louise Jury recalls her own days at the Fringe

The cost of hiring a venue, and publicising and staging your shows is considerable. Unless a big-name performer, your chances of an income from the venture are virtually nil.

Topping living expenses are the drinking and the tickets to the Polish state theatre and cutting-edge comedy. Renting accommodation is the final blow to the bank balance as canny Scots leave home for the month and charge the earth for the pleasure of your tenancy. Which was why I ended up sharing with 15 in a jumble of limbs, luggage and sleeping bags.

The shrewd survive. Choosing a school exam set-text tends to boost attendance. We made Arthur Miller's *The Crucible* a (relative) hit. The financial triumph were 4pm readings from *The Secret Diary of Adrian Mole* with a cream tea, which drew legions of parents desperate to silence their kids. Our acting was certainly less remunerative than our catering but it did not matter. My brief appearance in the limelight was fun.

DAILY POEM

Llantysilio, overgrown

By Steve Griffiths

Under the rush of caravans on the Holyhead road
and the thwack in the wind
of the campers' polythene streaming
and the hum of the scale-model traffic
on the miraculous bridges with realistic water below,
Tysilio's island hugs its cemetery to itself.

The graves are decked individually
as if each decomposition had its flower:
on dark slate, violet, the spindrift of the disappointed
lips cast from the cheekbones; and these delicate
heavenly ones, nodding at the mild Sunday air
after a lifetime stamped in the gasping furrow.

A green-armed bramble
lances the wind on a thousand tiny fronts
for the unremembered improviser of hovel,
for rillers and singers, the little stone-skimmers:
a voice secreted over the mouths stained
with their own juices in their made beds.

The Seren Press was established in the early 1980s by Cary Archard, with the help and encouragement of Dannie Abse, to give voice to English-language writers in Wales. Since then it has published the work of more than 40 poets, including RS Thomas, Glyn Jones, Duncan Bush and Sheenagh Pugh and has nurtured into being a recognisable "third generation" of Anglo-Welsh writers. Steve Griffiths's poetry appears in *Burning the Bracken*, a 15th-anniversary issue of Seren poetry edited by Amy Wack.



Roberto Alagna and Angela Gheorghiu, two of opera's hottest names who married last month, sing together for the first time yesterday in a rehearsal for their performance at the Hampton Court Festival, near London, tonight. Photograph: Laurie Lewis

Lottery cash 'to fund arts deficit'

DAVID LISTER

Lottery money may be used to pay off the deficits of theatre and opera companies, in a striking reverse of government policy.

A consultative document entitled *New Lottery Programmes*, to be issued by the Arts Council, confirms that from next April lottery money for the arts will cease to be spent solely on buildings and equipment. In addition, it will be used to fund "commissions for new work, access to and participation in the arts and enhancing the creative abilities of young people in particular". Pilot schemes begin in September.

In the introduction to the document, Lord Gowrie, the Arts Council's chairman, describes the move to funding creative activity from the lottery as "probably the most significant change in the funding of the arts in Britain since the Arts Council was founded 50 years ago".

The changes from the autumn may be more profound still. It is understood that the

Arts Council, in distributing lottery money, will also consider allowing companies to use lottery funds to pay off their deficits. In the past both the Treasury and succeeding ministers responsible for the arts have refused to countenance giving special grants to pay off deficits, as it could encourage profligacy.

But senior Arts Council officers believe companies spend inordinate amounts of time planning how to reduce their deficits; and if they were paid off in one dramatic gesture, the time could be more valuably spent planning artistic events.

In the consultative document, this scheme is described in slightly oblique terms as a "stabilisation programme".

Lottery money is also likely to be used to ensure that all new arts buildings over a certain size have integrated broadcasting facilities and money will be channelled into British films with the emphasis on creating new distribution networks.

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politics

Beef crisis: French scientists reveal results of monkey tests

BSE link with brain disease 'strengthened'

MARY DEJEVSKY
Paris
and CHARLES ARTHUR

An experiment in which French scientists passed BSE to monkeys offers the strongest evidence yet that the disease caused 11 recent cases of Creutzfeldt-Jakob disease (CJD) in young Britons, according to a leading British researcher.

Dr James Ironside, of the CJD Surveillance Unit in Edinburgh, said that the results of the research - in which three macaque monkeys became ill after the BSE agent was injected into their brains - "strengthens the hypothesis" that there is a direct link between exposure to material infected with bovine spongiform encephalopathy

(BSE) and the fatal brain disorder CJD.

The possibility of a link was first raised officially by Dr Ironside and his colleagues at the unit last March, after they identified an unusual variant of CJD which had affected 11 people under 40 in the past two years. The more common form of the disease usually affects people over 60. According to the French researchers, three years after the injection all three monkeys began to behave unusually, showing anxiety, nervousness and depression - the same symptoms as were identified in the 11 British CJD cases.

Macaques are the closest relative to man that BSE has been passed to experimentally, although the disease has previ-

ously been passed to other monkeys. The French researchers said the experiment is "the first experimental evidence supporting a link between BSE and the new form of CJD in man."

Dr Ironside said that his examination of the monkeys' brains showed a number of changes which matched those in humans with the new CJD variant. "It is not absolutely identical. But it's interesting, and potentially important," he added, however, that the research "doesn't prove the link".

His comment was echoed by the French scientists, who took the unusual step of holding a press conference about their work yesterday, breaking the embargo on the publication of

their paper, due in a fortnight in the science journal *Nature*.

Nature called their decision "highly regrettable" but said it would not postpone publication. The scientists' decision to announce their results early may have been precipitated by the revelation yesterday that British companies had sold French farmers thousands of tons of animal feed that may have been contaminated with BSE after its sale was banned in Britain in 1988.

Dr Ironside said that further research was required before a definite link can be demonstrated between the new CJD variant and BSE. But this may take up to 18 months to emerge through experiments now being carried out in Britain.

Binding deal is forlorn hope

SARAH HELM
Brussels
and JOHN LICKFIELD

Hopes of avoiding a bitter and damaging confrontation over beef at the European Union summit in Florence next week appeared to be fading last night.

A revised British five-point plan to solve the dispute will be discussed by EU veterinary experts in Brussels today. But officials said there was little chance of agreement on the detailed and virtually binding framework demanded by Britain for the gradual lifting of the ban on beef exports from the United Kingdom. The only hope of an agreement before Florence was a vague statement of intent, which could leave much of the ban in place for many months, even years.

The Government long ago abandoned hopes of achieving a specific timetable for lifting the ban in time for next Friday and Saturday's summit. Yesterday, officials conceded that even hopes of securing a general framework for a phased lifting were now fading. As long as "elements of a deal are there at Florence",

The British plan to resolve the BSE dispute

UK beef exports would be restored to the European market, but only if the European Commission agreed to a series of measures. The five stages are:

1. Exports to the EU of beef and beef products from the UK will not be suspended to the EU.
2. Exports to the EU of beef and beef products from the UK will not be suspended to the EU.
3. Exports to the EU of beef and beef products from the UK will not be suspended to the EU.
4. Exports to the EU of beef and beef products from the UK will not be suspended to the EU.
5. Exports to the EU of beef and beef products from the UK will not be suspended to the EU.

the deal itself could be concluded later, a British source said.

In the meantime, there was no question of Britain abandoning its wholesale blocking of EU business. In these circumstances, the summit itself looks increasingly likely to fall victim to British "disruption".

The Italian Prime Minister, Romano Prodi, who will chair the summit, has talks with John Major in Downing Street yesterday. Afterwards he said they had made "good progress", adding: "You approach the moment in which you don't see the solution plan but you see what

can be the solution." He said: "We are making progress, but we are not there yet."

There is a wide divergence of opinion on what form a framework settlement might take. Britain wants something virtually binding on other countries. Officials from several other governments say the most Mr Major can expect is a vague "piece of paper". Even that may be in doubt, given French outrage at the revelation that Britain had stepped up sales to France of animal feed contaminated with bovine spongiform encephalopathy (BSE) after it

was banned in the UK in 1988. Britain is asking the other governments to agree to a process which would leave the ultimate power to peel away the ban with the European Commission. Once they had agreed the "framework" in five steps, it would be up to the commission to decide when Britain had met the requirements to trigger each stage. It would take a majority of members to reject the commission's advice.

There is an immense irony in the Government's position, which is, in effect, Euro-federalist. It would give power to the commission to impose a settlement over the heads of individual member states. "When the commission is satisfied that a scientific basis exists for lifting another part of the ban it is imperative that a few member states should not be able to block it for national political reasons," Malcolm Rifkind, the Foreign Secretary, explained to the Commons Foreign Affairs Committee on Wednesday.

Is this, Brussels might ask, the approach Britain will be content to adopt with all future EU business?



Peter Lilley speaking yesterday in Southwark Cathedral

Photograph: Kalpesh Lathiga

Lilley says more spent on disabled

Peter Lilley, the Social Security Secretary, yesterday pledged the Conservative commitment to help people in need and said more was being spent on the disabled and pensioners.

He reclaimed the moral high ground in the debate on low incomes, opportunity and welfare reform in a speech in Southwark Cathedral and said Tory policies offered the best help to people in need. He referred to a study showing that those who started with the lowest pay had seen the fastest rise in earnings under the Tories over the past 15 years. And he attacked Labour's "dangerous preoccupation with equality".

Rejecting the view that there was a growing cross-party consensus on welfare reform, he said: "We have a duty to help those unable to help themselves. But there remains a sharp divide between the parties in our approach to these issues, our analysis, and our policies for tackling need."

Mr Lilley said the free market was essentially positive and should not be an object of hostility. "The obligation of a government which believes in the free market is to help the helpless and enable the able."

Mr Lilley pointed out that average incomes in Britain had risen not just compared to 1979 but in comparison to the position elsewhere in Europe.

"The vast majority of people in this country are better off now than their counterparts were in 1979. And far from falling behind other countries, the living standards of ordinary British people have been rising faster."

Chris Smith, Labour's social security spokesman, later attacked what he called the Government's "complete lack of new ideas for welfare reform".

He said: "Peter Lilley's promised vision for the future of the welfare state is nothing more than a bankrupt justification for his failures of the past."

"This speech reveals just how lacking in new ideas this government is when it comes to tackling the long overdue reform of the welfare state. Not only did Mr Lilley fail to address the future of the welfare state, many of his remarks show a complete divorce from current reality as well."

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صوتك من الامم

Gaza fears the vengeance of Netanyahu

PATRICK COCKBURN
Gaza

In Gaza, the autonomous but beleaguered Palestinian enclave, officials express deep anxiety about the intentions of the incoming Israeli government. Hassan Asfour, director general of the Palestinian Liberation Organisation team negotiating with Israel, says: "If they do not respect the Oslo accords then they will open the door to violence."

The most optimistic school of thought among Palestinian leaders holds that there is not much difference between a Labour and a Likud government. "Their motto is that a cat is a cat whether it is black or white," says a senior western diplomat. "They mean that Israeli governments behave the same towards Palestinians whatever party they belong to."

But the whole strategy of Yasser Arafat, the Palestinian leader, was based on the belief that it matters a lot who holds power in Israel. He did everything he could to get Shimon Peres, the architect of the Oslo accords, re-elected on 29 May. "We used to negotiate with friends and now we must negotiate with enemies," says one of Mr Arafat's senior lieutenants.

A crisis in relations between Mr Arafat and Benjamin "Bibi" Netanyahu could come quickly. Mr Netanyahu won the election because he promised Israeli voters more security for themselves and fewer concessions to Palestinians. No sooner was he elected, however, than Ami Ayalon, the head of the Shin Bet Israeli security agency, told him that "a good part of the Shin Bet's recent accomplishments were based on co-operation with the Palestinian security services."

The meeting between Mr Ayalon and Mr Netanyahu was leaked to Zeev Schiff, columnist for the daily *Ha'aretz*, presumably by sources in the Shin Bet. It is important because it clearly states the Shin Bet view that Mr Arafat's support is essential to fight Hamas and Islamic Jihad, the Islamic guerrilla movements, and he will not continue

co-operation if agreements with Israel "are not fulfilled and are steamrollered by us".

But does Mr Netanyahu dare to carry through the Oslo accords? He has promised that he will make no concessions on Jerusalem, Palestinian statehood or the right of Israelis to settle in the West Bank. He says he does not want to meet Mr Arafat. The strength of the religious right in his coalition gives him little room for manoeuvre. He has little to offer the Palestinians as an incentive to work with Israeli security to prevent another suicide bomb.

The only area where Mr Netanyahu might offer concessions is in allowing Palestinians to work in Israel. Terje Larsen, the special co-ordinator for aid to Gaza and the West Bank, says Mr Arafat "will be able to pay salaries for June but not for July". Every 10,000 Palestinians allowed to work in Israel produces \$25m (£16m) in revenue for Mr Arafat's Palestinian Authority. By letting 150,000 Palestinians into Israel, Mr Netanyahu could end the economic crisis in Gaza and the West Bank.

It is doubtful if the new government will do anything so radical. "Some Palestinians believe that Likud will lift the closure of Gaza," says Mr Asfour. "I have no such feeling." There is no evidence that not allowing Palestinian workers legally into Israel deters suicide bombers, none of whom had permission to be in Israel when they blew themselves up. But the closure makes Israelis feel more secure and is therefore likely to stay in place.

Not everybody in Gaza is so gloomy. Mahmoud Zahar, spokesman for Hamas, says that his organisation does not care if Likud or Labour wins the election. He is presumably calculating that Mr Arafat will have to relax his grip on Hamas. Mr Zahar says: "We did not expect Peres to win. He is a man of many failures. He is known as a man who hesitates."

Mr Zahar does not respond directly to the suggestion that it was three Hamas suicide bombers in February and

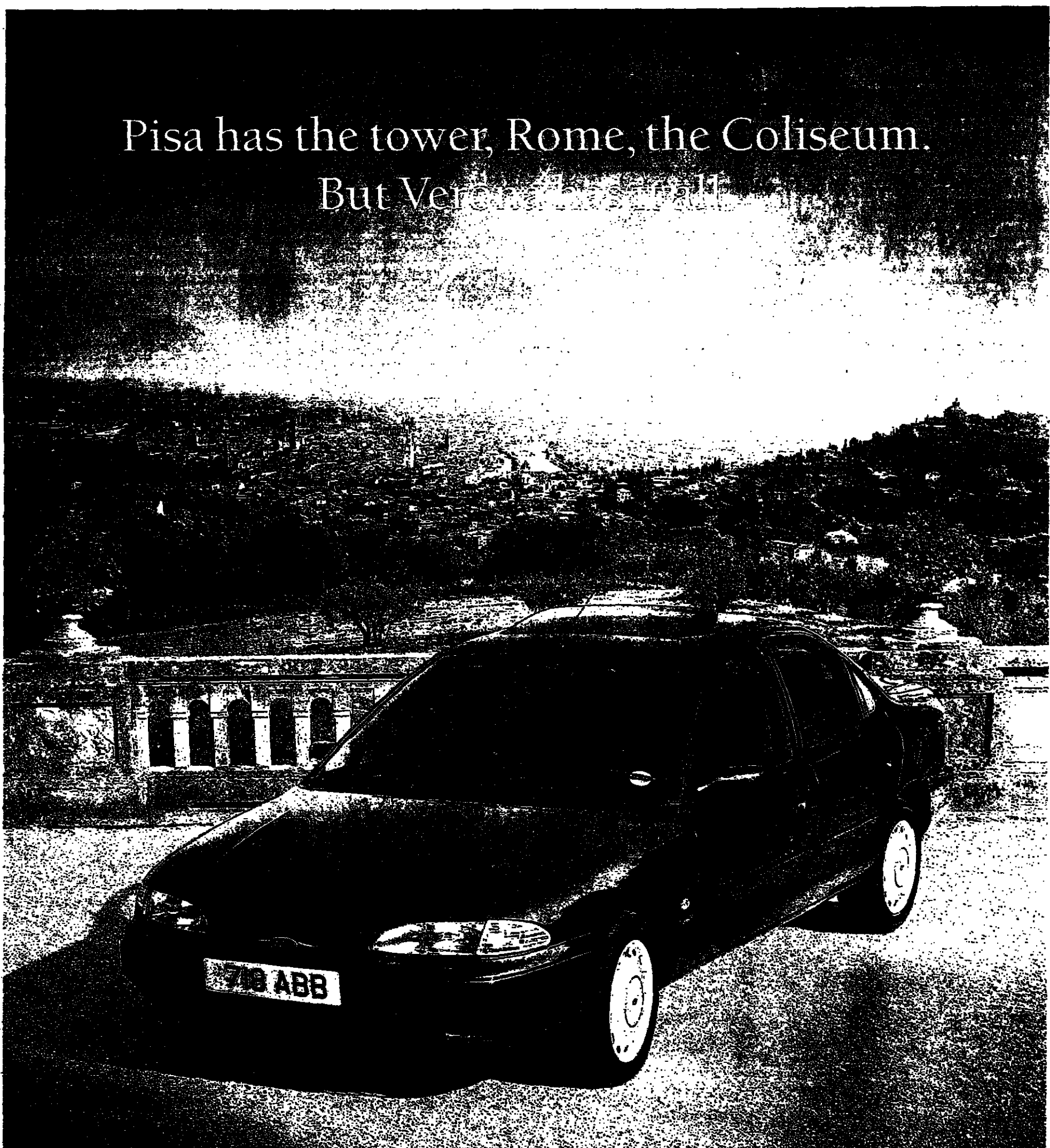
March who ensured Mr Peres' failure at the polls. He does say, however, that when Mr Peres gave his consent to the assassination of Yahya Ayyash, the chief bomb maker of Hamas, in January he "knew that Ayyash would be avenged".

Is there any way out of Mr Netanyahu's dilemma? He is in no position to provide Israelis with greater personal security without the co-operation of Mr Arafat. But even the marginal contacts between his aides and Palestinian leaders have created anger on the right. For the moment Mr Netanyahu looks confident and in control. He appears to have rejected the idea of a national unity government with the defeated Labour party. But perhaps he and other Israelis should be concerned that the only Palestinians pleased by his victory belong to Islamic Jihad and Hamas.



Picking up the pieces: An Israeli archaeologist, Majid Diyab, copies a panel from a Roman mosaic discovered on a salvage dig near Lod, north-west of Jerusalem, before works to widen a road. Few such mosaics have survived intact; the 18m by 10m design shows animals and their prey in vivid colours and, 1,600 years ago, would have covered the floor of a villa on the Gaza-Damascus trade route. Photograph: David Silverman/Reuters

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SIGNIFICANT SHORTS

Colombia's president has escaped charges of taking millions of dollars of cocaine profits from the Cali cartel during his 1994 election campaign. Ernesto Samper was cleared by the country's parliament and the army means means he will now be impeached and in line to complete two more years of his term. Widespread outrage over the decision, however, suggests he is in for a rough ride. Opponents described parliament's decision as "a victory" and "the face of the century" and promised strikes and other protests.

Parliament voted 111-43 in favour of Mr Samper. The Liberal Party colleagues standing by him. More than a dozen of these are themselves under investigation for alleged links with drug cartels. *Phil Davies - Miami*

Bangladesh faces a hung parliament after polls failed to give any party clear control. Sheikh Hasina of the control Awami League led the race to be prime minister, but the outcome will not be known until re-polling ordered because of sporadic violence.

Hamas was well ahead of another strong woman, former prime minister Begum Khaleda Zia of the Bangladesh Nationalist Party (BNP), but a final picture of the parliamentary election results would not emerge until the new period of voting was completed. *Reidar - Dhaka*

Nigeria has agreed to meet Commonwealth leaders for talks in London in a first sign of willingness to respond to international disaster about its civil wars record. The talks, on 24 and 25 June, follow months of refusal to enter formal discussion with the Commonwealth.

A high-level delegation from Nigeria will meet the chief foreign ministers of the Commonwealth Ministers' Group, set up in November last year, after the election of the Nigerian opposition leader, Kérékou Soro. The Commonwealth Secretary-General, Chief Emeka Ojukwu, said he hoped for a "constructive and continuing dialogue".

Nigerian authorities said yesterday that they had detained the eldest son of the jailed opposition leader, Moshood Abiola as part of their investigation into the murder of Abiola's wife. *John Lechfield*

Iraq has barred UN arms inspectors from two more bases near Baghdad, a UN official said. Raif Ekaw, head of the UN Special Commission in charge of finding Iraq's weapons of mass destruction said some inspectors were still standing guard at a site in Baghdad that they had been barred from entering on Wednesday. *Reidar - New York*

A Burmese newspaper said British colonisers intent on engineering Burma plotted the marriage of a British aristocrat to the Burmese democracy leader, Aung San Suu Kyi. It was the latest salvo in the military regime's escalating assault against Mr Suu Kyi, who has brought new attention to the democracy movement in recent weeks by holding a congress of her political party and drawing large crowds outside her home. Mr Suu Kyi, the daughter of Burma's independence hero, General Aung San, is married to Michael Aris, a British professor. *Reidar - Hong Kong*

Ships were alerted and bomb disposal experts were scrambled to defuse a "bomb" floating about 100 miles from Hong Kong harbour, which turned out to be an extremely large sausage. Emergency services were alerted to the "bomb" reported the suspected floating bomb off the coast of the island, reports said. *Reidar - Hong Kong*

Lilley says my spent a disabled

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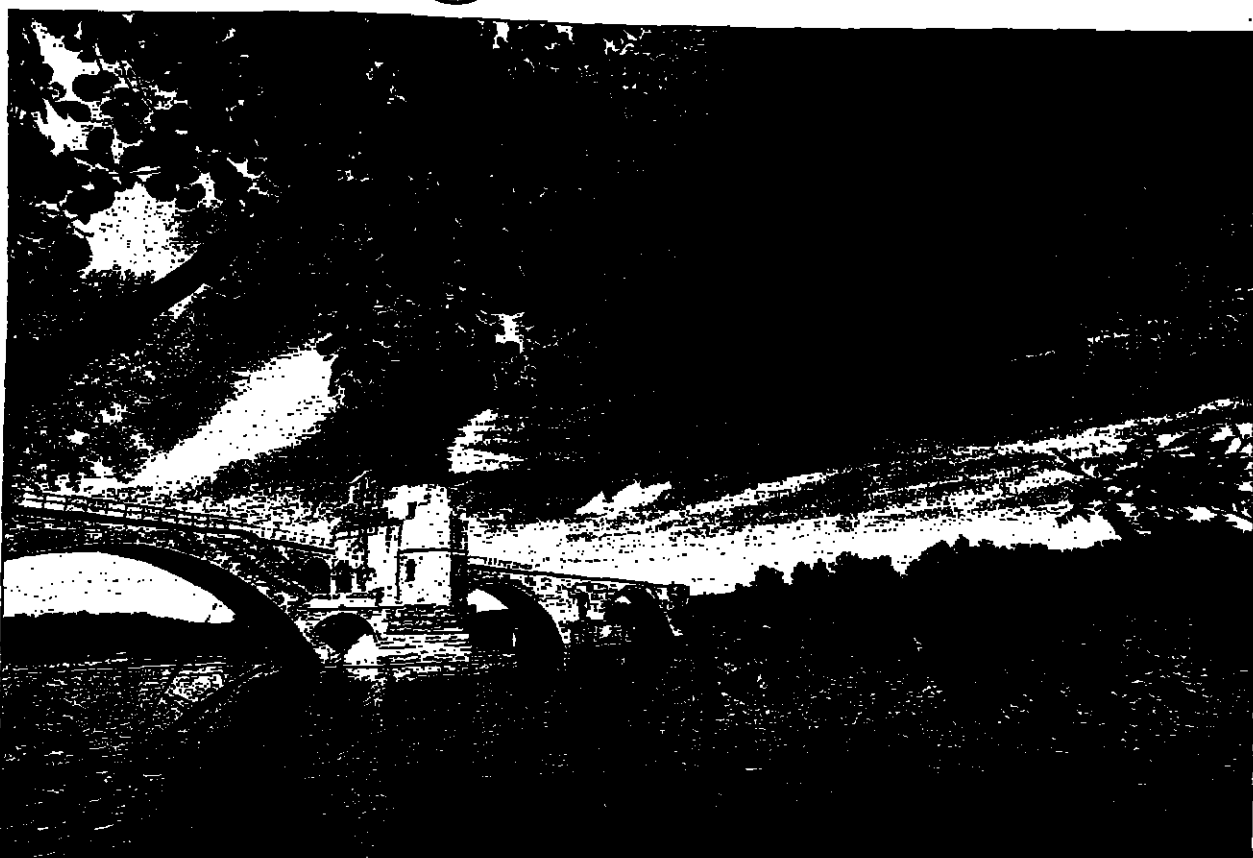
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Wheeling down south through a rich slice of French life



Infalible attraction: Avignon, destination of many Parisians in the 'great departure'

Photograph: Brian Harris

Paris - It's that time of year again: summer is in the air and the "great departure" is almost upon us, when the *citizens* of Paris pile themselves, their children and their dogs into the family car and set off, hell for leather, down the motorway to seek the sun and the sea or the mountains.

As always, the police warn of the dangers they face: stagger your departure, they will say, stop for a rest every two hours, don't drink alcohol and, above all, avoid the A6, the "motorway to the sun", which is the city's high-speed high-risk conduit to the Midi, except when it is jammed.

The authorities have done their best to encourage other routes: they signpost myriad alternatives along France's equivalent of A roads, they have completed a motorway out of Paris to the south-east, the A5, which links with the A6 farther south and they plan a similar road to the south-west. A motorway due south, the A75, is also finished but the last stretch from the Cévennes to the sea.

Yet Parisians stubbornly prefer the A6 and I have a confession: I do too. It is not just straighter and wider than the alternatives but it supplies a constant revelation of the geography and regional diversity of France, offering an ever-changing backdrop that speeds the transition from butter-eating north to the olive-oil-drenched south and back again.

MOTORWAY DAYS

No sooner have you tired of the environs of Paris, its hypermarkets, suburban estates and low-flying planes from Orly, than you are approaching the dark layered forest of Fontainebleau. As the forest grows sparse, you are already skirting the Chablis and entering the woods and fields of Burgundy, where hilltops proudly illustrate the white Chardonnais beef cows that graze peacefully in the meadows and prepare for the abattoir.

From the higher ground of Burgundy a panorama opens out of the Morvan, a wild landscape of pastel colours and fierce weather. Past the medieval market centre of Auxerre, the holy city and pilgrimage centre of Vézelay appears on the signposts. The forests are now fir this is where Parisians get their Christmas trees.

Once the turning to Dijon, mellow stone capital of the Burgundian dukes is past, the houses are sleeker and lower. Slate roofs give way to red tiles, hay and kale to vines. The rounded hills of Beaujolais rise to the west and the signs suggest a vintner's catalogue: Mâcon, Fleurie, Julienas ... Almost before you have time to overtake another lorry, you are on the threshold of Lyons, capital of Roman Gaul. Here, Parisians distinguish themselves for the second time.

Having chosen the A6, they scorn the recent relief motorway, a long loop that seems to veer more to Geneva than the Midi, and brave instead the tunnels that run beneath the city centre and emerge across the blue-grey Rhône. So what, if we are caught once or twice in a jam? You feel you are passing a great city and heading ever south.

From Lyons, the Rhône is always alongside; the names on the signboards are already lyrical, evoking the delights of the Midi: Vienne, Valence, Montélimar, Orange and finally Avignon, city of the popes. The vines sweep to the road; the pines are of the Mediterranean umbrella variety, the stone is golden and the roofs are all tiled.

Before Avignon, the motorway divides, and so do France's sun-seekers to the east are the traditional and highly concentrated holiday grounds of the Côte d'Azur; to the right, the quieter, more rustic resorts of Languedoc-Roussillon, and the road to Spain.

Perhaps it is the visual distractions, perhaps a sense of purposeful solidarity that the A6 fosters, but the driving rarely seems as aggressive or harrowed as on the "N" roads. French lorries seem more patient, French cars fast, but generally civil. Trouble, if it comes, invariably originates with a Spanish or Belgian number plate.

And the A6 seems to appreciate its Parisians. To those reaching the end of their long journey north, it offers a small white sign with a line drawing of the Eiffel Tower and "50km marked underneath. "Welcome back, Parisians," it is saying in a reserved French way, "you're nearly home."

Mary Dejevsky

Democracy hurts for Europe's new jobless

ADRIAN BRIDGE
Central Europe Correspondent

A banner held aloft by striking workers in the Polish city of Gdansk yesterday bore the simple slogan: "Commies, hands off the shipyard!"

It was a neat encapsulation of the irony of the situation. On the one hand, the strikers, under the umbrella of the Solidarity trade union, were claiming that the decision to close the yard was politically motivated: the latest dastardly deed of a government now made up of the successors to the old Communist Party.

At the same time, despite the "hands-off" slogan, the protesters, who called off their strike yesterday, are calling on the same government to bale the shipyard out of trouble.

The irony has not been lost on Poland's rulers, who have pointed out gleefully that the Gdansk workers are simply falling victim to the market forces they unleashed.

Indeed, as the Polish Prime Minister Włodzimierz Cimoszewicz himself put it: "[Solidarity] wants the government to take money out of its pocket to save the shipyard. They do not seem to have noticed that something has changed in Poland."

Last weekend's decision to force the shipyard to file for bankruptcy underlines the extent to which the economies of Poland and the other former Eastern bloc countries have had to adapt since 1989.

Under the old Comecon system, the Gdansk shipyard was one of the main producers of ships for the former Soviet Union. Similarly, the Bulgarians specialised in fork-lift trucks; the Slovaks produced tanks and Hungarians made buses. In return they received raw materials and energy supplies.

But when communism collapsed so, too, did the old way of doing business. "The Comecon market was totally artificial," says Henryka Bochniarz, head of the Warsaw-based Nicom consultancy firm and a former minister. "Goods were produced *en masse* for guaranteed markets with no regard for quality. But when those markets disappeared, nobody wanted to buy them."

In the aftermath of the change, most east European countries suffered dramatic falls in productivity, with slumps in gross domestic product averaging 15 to 20 per cent. Although lagging a little behind, unemployment rose soon afterwards: at its worst reaching more than 16 per cent in Poland and Slovakia and almost 14 per cent in Hungary. The Czech Republic has survived relatively unscathed, with unemployment at its worst reaching

4.5 per cent, and now already down to just 2.7 per cent.

For those thrown out of work, the reaction has been one of incomprehension - and bitterness. "As far as I am concerned, life has only got worse under democracy," said Edit Baranyai, a former clerk in a Hungarian textile factory that shut down in 1993. "Ordinary people like me have simply become poorer and weaker."

Like many Hungarians, Mrs Baranyai expressed her anger by helping to ensure victory for the former communists in the 1994 elections. Almost every other country in the region has witnessed a political backlash against the centre-right parties that were responsible for introducing market reforms.

But while many feel they have lost out, there are plenty who feel they have gained.

Eva Kulikova, the owner of a coffee shop next to the Charles Bridge in Prague, is one of millions who have seized the new opportunities. "Under the old regime, I would never have been able to set up my own business," she said. "Now people like me who are prepared to work hard can reach a good standard."

Prague is perhaps the best example in the region of where the future is already working. With millions of tourists visiting each year, the city was bound to undergo an enormous expansion of commercial activity.

The main growth area in the service sectors: shops, banks, plumbers and the hundreds of small-scale enterprises that were stifled during the communist era.

According to the central statistics office, while 19 per cent of the country's gross domestic product was generated by the service sector in 1990, the corresponding figure for 1995 was 29 per cent.

"In the old days it was impossible to find a taxi in the street or a decorator to come and do up your home," said Istvan Racz, a regional specialist for CS First Boston Bank in Budapest. "Now we only have to look in the Yellow Pages."

In Hungary, where the workforce is just under 4 million, there are now estimated to be close to a million small entrepreneurs. But in addition to services, the country has also experienced expansion in pharmaceuticals and light industry.

"For people in work, jobs have become more demanding, but salaries have improved," said Mr Racz. "Skilled people are finding their way in the new society. But the difference between rich and poor has become much more striking. Politically it would never have been tolerated 30 years ago."

Montana Freeman close to deal

TIM CORNWELL
Los Angeles

The American flag, flown defiantly upside down for 81 days, was symbolically lowered yesterday at the Freeman ranch in eastern Montana, amid rising hopes of an imminent surrender. But five minutes later, to the consternation of reporters squinting through binoculars, another unidentified flag was hoisted up.

What FBI agents had confidently predicted would be the last day of the longest siege in

US law enforcement history began with a morning of confusion. Media crews, kept more than two miles away, struggled to interpret the movements of people and cars shuttling between the ranch and FBI checkpoints.

For the first time, it was reported, two FBI vehicles were allowed to enter the compound. "The agreement is moving forward," an FBI source said, after the Freeman had reportedly agreed to give up.

But the eccentric nature of the stand-off from start to finish, and a series of earlier aborted deals, left no one certain that the 16 people left inside would finally walk out.

On 25 March the FBI arrested two leaders of the Freeman in a sting operation. For nearly three months the bureau has been playing cat and mouse with those left inside, determined to avoid a shooting match with people who, though heavily armed, were only accused of white-collar crimes.

The Freeman say the US Government is unconstitutional; they concoct courts and banks of their own. But their bizarre beliefs crossed the line to criminal activity after followers used millions of dollars worth of fake cheques to pay off debts and tax bills and a local judge was threatened with death.

The key to yesterday's planned surrender was a deal for the Freeman to hand over alleged evidence of government misdoings to a third party for safekeeping. Members of the Cause Foundation, a legal group with close associations with far right activists, were acting as intermediaries.

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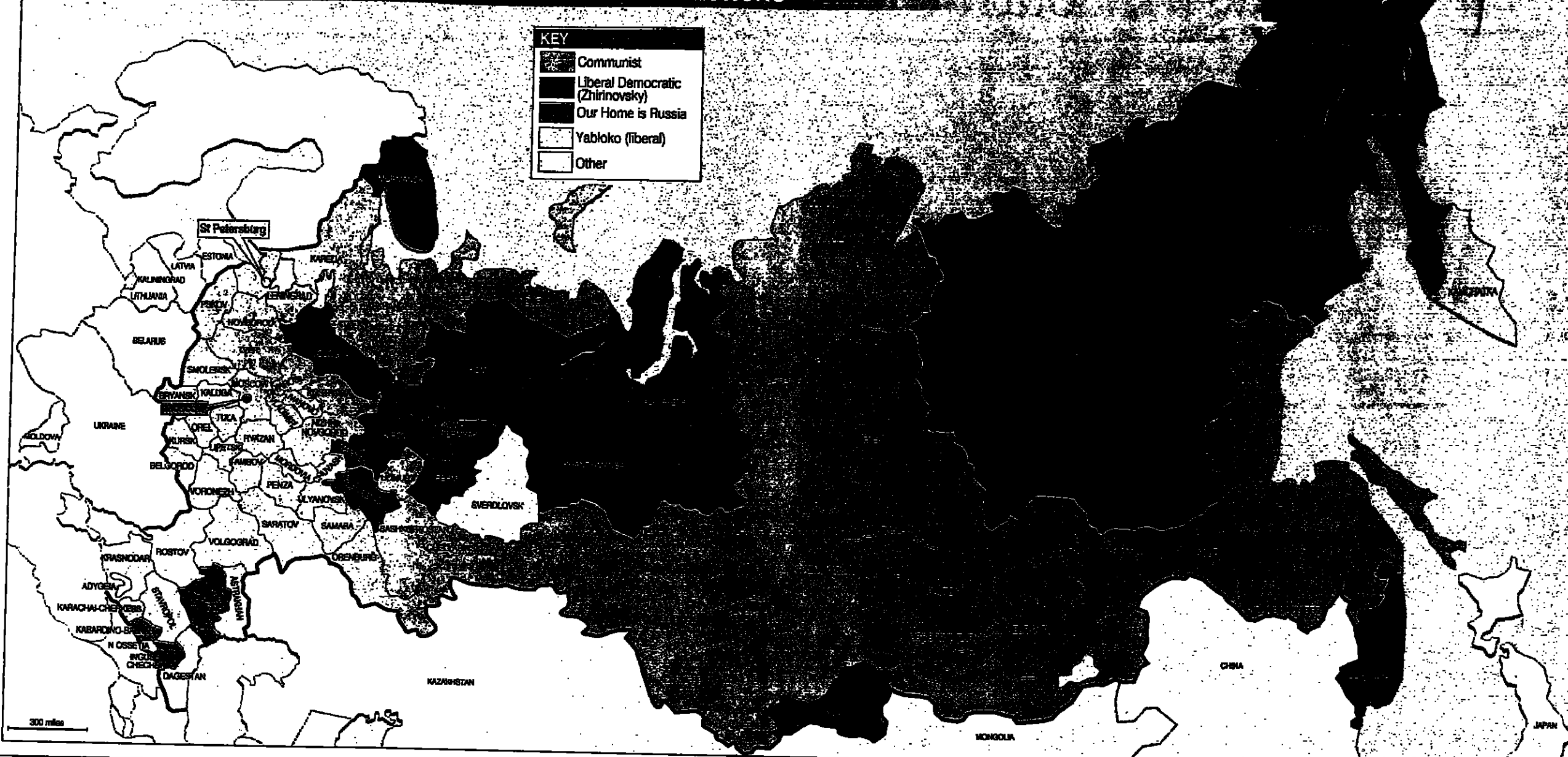
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RUSSIAN PRESIDENT

HOW RUSSIA VOTED IN DECEMBER 1995 PARLIAMENTARY ELECTIONS



Will the map turn red on Sunday?

PHIL REEVES
Moscow

Russian officials were yesterday completing preparations for the first presidential election since their country became an independent nation. Quite apart from the political issues at stake – and they are momentous – the scale of the event is of mind-boggling proportions.

The country's 107 million electorate, from reindeer herders in the remotest reaches of the Arctic (some of whom have already voted, so far flung are their homes), to the chic urbanites of St Petersburg, will vote in 95,000 stations, spread across 11 time zones.

Although there are 10 candidates, the issue to be resolved is whether Boris Yeltsin will remain in the Kremlin for a second term, or whether the hugely powerful President's office will pass to Gennady Zyuganov, the Communist leader. Both are expected to emerge from Sunday's contest with enough votes to place them in a two-horse run-off next month. Neither will win the 50 per cent needed for outright victory.

Concern about fraud is such that the Communists claim to be planning to send observers to each voting station, an operation involving several hundred thousand people. The Yeltsin camp is also discussing similar measures. And there will be hundreds of international and other independent observers.

Technically, rigging the ballot should be impossible. The law allows observers to watch every stage of the voting process. They can inspect voter lists, and are entitled to copies of the results protocols as they are passed from local territorial election commissions, and then on to the Central Election Commission (CEC) in Moscow. This enables the contenders to conduct what amounts to a parallel count – which the Communists intend to do. But this is a complex, labour-intensive operation; there are strong doubts over whether they can pull it off.

In reality, some voting stations seem certain to go unmonitored, opening the way for a certain amount of falsification, either by pro-Yeltsin officials (who tend to occupy top regional jobs) or by the Communists (who control more than 30 per cent of local election commissions). Add to this the fact that regional power-brokers think little of applying pressure to those under their sway beforehand – the president of one republic has publicly guaranteed Mr Yeltsin 99 per cent of his population's support – and the process looks murky.

Although the CEC has 15 days to complete counting, the general picture will probably be

clear by Monday. The first results from the far east are expected on Sunday night, but they are unlikely to be a reliable guide to the outcome. The region includes sweeps of near empty landscape and has a reputation for maverick voting.

For the election to be valid, there must be a turn-out of at least 50 per cent. Surveys suggest it will be above the 63 per cent who voted in December's parliamentary poll. A high turn-out is critical to Mr Yeltsin. The Communist bloc's 20 to 25 million core voters will vote, come what may.

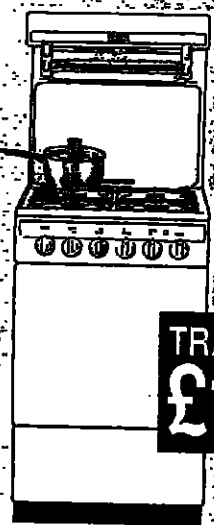
The President's support contains many more waverers. Two hurdles stand in their way. It is a summer weekend, when city dwellers, especially in pro-reform Moscow, head for their country cottages. And there is a Euro 96 football match between Russia and Germany.

So where will the election be decided? Russia's electoral history is so short that there is not enough data to draw many reliable conclusions by studying past form. That said, the Communists are strongest in the rural areas, particularly the southern "red belt". They tend to be weaker in the more populated north-west – with certain exceptions, like Smolensk and Pskov, which the Yeltsin camp admits it has no chance of winning. The pro-reformers can rely on the cities of St Petersburg and Moscow, plus loyalist republics like Tatarstan and Kalmyk.

The Yeltsin campaign has high hopes of winning in a number of other areas which voted Communist six months ago, for instance, Nizhny Novgorod, Yaroslavl, Chelyabinsk and the regions of Moscow and Leningrad (the city of St Petersburg changed its name; the region has not). They also expect to take several others where the vote was fairly evenly spread, including Murmansk and Sverdlovsk.

Any sign that Mr Yeltsin has made progress in the Communist strongholds like Kemerovo (where 48 per cent voted Communist in December), Amur, Ulyanovsk, Kaluga, Oryol, and the Adyghe Republic will be greeted with delight by the Kremlin. But there is potential for the unexpected. The lowly standing of the ultra-nationalist Vladimir Zhirinovskiy in the polls is probably deceptive; in the past he has done far better than predicted; he is mounting a last-minute campaign, and could easily come third. The Yeltsin team has been showing signs of over-confidence and the President may have made a mistake when he claimed he will win outright in the first round. This could all backfire, come Sunday.

Letters, page 17



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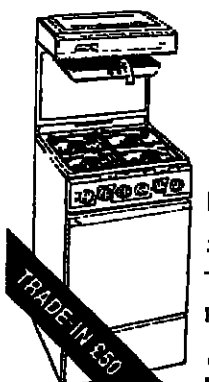


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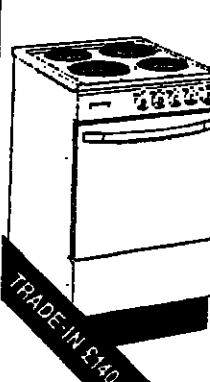
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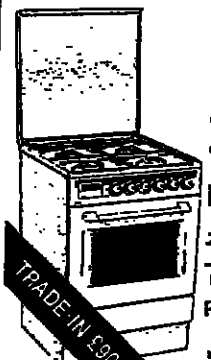
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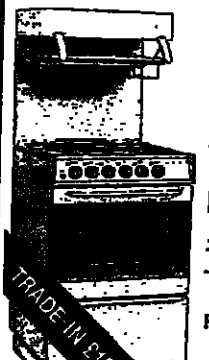
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RUSSIAN PRESIDENTIAL ELECTIONS

Zhirinovsky meets match in Vulgar Vlad

HELEN WOMACK
Moscow

Although there have been a few lapses, like the day this week when he appeared before the press wearing a canary-yellow Mao suit, the Russian nationalist Vladimir Zhirinovsky has conducted his campaign for president with relative taste and moderation.

It is generally agreed the cap and bells have now passed to a new jester of Russian politics, an astonishingly vulgar self-made millionaire called Vladimir Brytsalov.

He still has a lot to learn from the master. While Mr Zhirinovsky sits stony-faced, allowing his audiences to roar with shocked laughter at his pronouncements, Mr Brytsalov laughs at his own jokes, brays in fact. "Money is mankind's greatest invention, ha, ha, ha."

But of the also-rans of the election, Mr Brytsalov, 49, has managed to get noticed. Even if he only gets 1 per cent of the vote, as polls predict, he has become a nationally known figure, with the chance of a



Brytsalov: Fortune based on vodka and medicines

future in politics. He has been helped by his sexy young wife Natasha: "My second wife but not my last. Ha, ha, ha!" He is reported to pay her \$18,000 (£12,000) a month for house-keeping and "keeping up the family image".

She has followed him everywhere on his election trips. On the road to St Petersburg she was filmed by the side of the Brytsalov motorcade, coyly picking wild flowers. Another time she dropped her trousers

for the cameras while her husband snatched her bottom. The now-famous bottom has launched a new political career.

Backside apart, what are Mr Brytsalov's policies? This is harder to say, for he seems mostly interested in flaunting his wealth. Dubbed by some the Ross Perot of Russian politics, he can perhaps be described as a nationalist capitalist. Elected to the State Duma in December, he sits with the nationalists and Communists. But he is far from Communist where economics are concerned. Voters are asked to believe that, because he founded a company with an annual turnover of three trillion roubles (£400m), he can run a country of 150 million people.

He claims to have come from humble stock in the Stavropol region of southern Russia. In 1979 he was expelled from the Communist Party for revealing "petty-bourgeois tendencies" by building himself a three-storey house. But he flourished in the perestroika era, setting up a bee-keeping co-operative that earned him \$800,000, with

which he bought the Soviet Kirov Pharmaceutical Factory in Moscow, turning it into a market leader called Ferane. He is said to pay \$800 a month, a generous wage by Russian standards, to his 15,000 workers.

But there is another side to Mr Brytsalov, nicknamed Moonshiner by his colleagues in parliament. He also produces vodka: bottles with his rugged face on the label are on sale in kiosks all over Moscow.

Much of his money has evidently come from this business as he has taken advantage of tax breaks given to companies in the health sector. The Moscow tax police say he owes 40bn roubles in back-taxes.

He has an interesting past, too. He carries a gun and brags that when he was starting out, he had to fight off protection racketeers. "Their bones have long been rotting in Moscow's forests," he claimed recently. A natural showman, he has grasped that you need a big mouth for politics. But if he wishes to achieve respectability, on some subjects he might be advised to keep it shut.



Down and out: A homeless woman in St Petersburg. Poverty is a big issue in the poll

Photograph: Reuters

Contract killer assassinates another mayor

PHIL REEVES
Moscow

Moscow, already rattled by a bomb on the Metro system which killed four, yesterday discovered that one of its suburban mayors had been shot dead by a contract assassin, only three days before the presidential election.

President Boris Yeltsin described the killing of Viktor Mosolov, the second such official to be murdered in 10 days, as a "terrorist act" aimed at intimidating voters before Sunday's vote. But the police ruled out a political motive.

His death, which follows a bomb attack on the running-mate of Moscow's mayor, has added to the pre-election jitters and led police to step up security markedly. Scores of lorries were being held up for searches on the roads into the capital.

Mr Yeltsin's response owes much to his desire to present himself as a candidate for stability in the closing stages of his campaign. He wastes no opportunity to depict his Communist rival, Gennady Zyuganov, as a man surrounded by dangerous revolutionaries, despite Mr Zyuganov's efforts to establish his credentials as a progressive, moderate Russian nationalist.

Yesterday Mr Yeltsin was at the Winter Palace in St Petersburg, a setting clearly chosen for

its symbolism: it was stormed by the Bolsheviks at the start of the 1917 revolution. "On June 16, you will decide Russia's fate for many years ahead," Yeltsin told thousands of cheering young people. "The revolution started here in St Petersburg but Russia does not need any more revolutions."

But Mr Zyuganov also turned the metro bombing and the mayor's murder to political ends, by blaming government policies for a rise in mafia-style gangsterism and violence. "Unfortunately we pay for these policies with someone's blood every day," he said. Mr Zyuganov, a usually lacklustre figure who heads of the Communist-nationalist coalition, said that he had "practically won" Sunday's elections, and dismissed two polls giving Mr Yeltsin a 10-point lead.

Today Mr Yeltsin moves to his home town, Ekaterinburg, for a grand finale to his campaign which will be televised.

As he does so, the attention of some analysts is beginning to drift to the fortunes of Alexander Lebed, a pro-reform candidate who appears to be receiving discreet backing from the Kremlin on the grounds that he could take votes from the Communists. Speculation is growing that the popular retired general will form an alliance with Mr Yeltsin after the election's first round.

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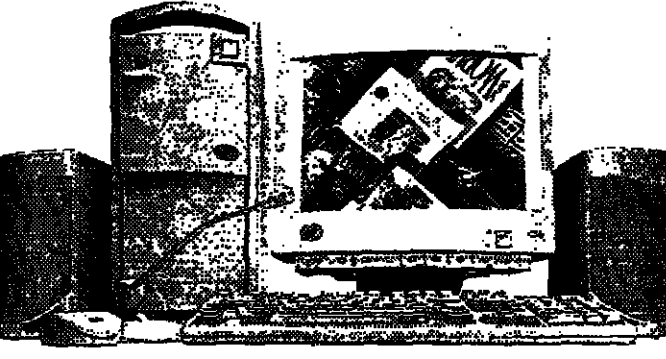
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Bonn

Germany fell off its tightrope yesterday, after repeated attempts to do lucrative business in China, on the one hand, while proclaiming itself to be the conscience of the world, on the other.

Klaus Kinkel, the Foreign Minister, suffered a series of humiliations during the course of the day. In the morning, China closed down the Peking office of a political foundation run by his own party, the Free Democrats. In the afternoon he was attacked by German MPs for his wimpy response: one Green MP accused the Foreign Minister of "kow-towing to a dictatorial regime".

By the evening Mr Kinkel was piggy in the middle, in a row that is threatening to unravel German attempts to project an independent foreign policy in the economically dynamic region.

Chinese ire was provoked by the Dalai Lama's plan to hold the second World Congress of Tibetan Exiles in Bonn this weekend. Although the German

government distanced itself from the event, the Congress is being organised by the Friedrich Naumann Foundation, an influential think-tank headed by the former Economics Minister and respected Free Democrat, Count Otto Lambsdorff.

In closing down the Foundation's office, Peking accused it of supporting the "Dalai Lama clique".

Indirectly, the charge could also be levelled at the German government, which has been strenuously cultivating links with the Chinese government in the hope of gaining fat contracts for its industry. Earlier this year, Chancellor Helmut Kohl led a 100-strong trade delegation to China, during which he appeared to absolve the regime of the crimes of Tiananmen Square by meeting generals of the Chinese People's Army. Arms sales were high on the delegation's agenda.

The twin-track approach of making money in the Far East while paying lip service to human rights in the region finally foundered yesterday. Even before Peking's intervention

yesterday, opposition MPs had planned a motion calling for state support for the Congress through the Foundation, which receives some of its money from one of the parties in the governing coalition. The motion was defeated, but another, criticising Chinese human rights violations, is on the way.

Fairly innocuous in its wording, the motion due to be tabled next week is explosive in substance. The text was drafted not only by opposition politicians, but also MPs from the coalition parties, and somehow got the approval of a Christian Democrat whip. There were dark hints circulating in Bonn yesterday that if that motion were approved, Mr Kinkel would have no choice but to resign.

The Foreign Minister tried to escape the gathering storm by instructing his office late in the day to call in the Chinese ambassador for a dressing-down.

The German government regarded the closure of the Foundation office as an "inappropriate reaction", Mr Kinkel explained in a statement.

"The federal government

supports the demand of Tibetans for cultural and religious autonomy," the statement went on. "Tibetans have a verifiable traditional historical right for autonomy."

The pundits wondered whether this heralded a change of government policy. Alas, we are still in lip-service territory. The statement explains that Germany recognises Tibet is part of China, and could not recognise the Dalai Lama as anything but a figurehead.

Rather than dousing the flames, Mr Kinkel's belated response is likely to pour more oil on the fire. Tensions between China and Germany are bound to rise throughout the duration of the Congress, although the Dalai Lama can be excused for wondering what all the fuss is about.

So far, he has made no complaint about German hospitality. He is being looked after by Petra Roth, the Mayor of Frankfurt, and a prominent politician in Mr Kohl's Christian Democratic party. But don't tell Mr Kohl — he doesn't want to know.

Three die as Indonesian jet skids off runway



Lethal blaze: Black smoke rises from the tail section of a Garuda Indonesian Airways DC-10 after it skidded into a field at Fukuoka airport in Japan and burst into flames; all but three of the 275 on board escaped. Photograph: AP

Japan turns
its back on
man who won
over the world

Richard Lloyd Parry on the rapid rise and fall of reformer Ichiro Ozawa

Tokyo — Japan may possess the world's richest banks, its second largest economy and many of its biggest and most successful companies but, throughout its modern history, it has lacked one commodity essential to countries intent on wielding true global power and influence: distinctive and charismatic politicians.

When world leaders gather for their global think-ins, such as the G7 Summit in Lyons at the end of this month, the views and consent of the Japanese count as much as any. Outside the conference rooms and diplomatic huddles, however, they are eclipsed: when the Bills, Jacques and Helmut line up for their group photograph, it is the Japanese Prime Minister who always seems to wind up at the end, wearing the lost smile of one who wishes he was somewhere else.

This is what, until recently at least, made Ichiro Ozawa so different. Since the publication two years ago of his much translated book, *Blueprint For A New Japan*, he has been feted all over the world as a new style of Japanese politician, a debater and confrontationalist who can deal with his foreign peers on equal terms.

Ozawa's ambition to turn Japan into a "normal country", with a transparent political system, capable of taking its global responsibilities as a peaceful but active military power, have won him the respect of politicians all over the world.

This week he has been in London, with eight young members of Shinshinto, the "New Frontier Party", of which he is leader. He has spoken with Tony Blair, leader of the Labour Party, the Prime Minister, John Major, and his deputy, Michael Heseltine.

To British politicians, Ozawa's glossy sheen has plainly not worn off. In Japan, however, things look very different. At home he is looking increasingly like yesterday's man; all his brave ideas about international responsibility and reform of the stagnant political system cannot disguise the fact that he has singularly failed to cut it as a domestic politician.

For a while it looked as if he might just have pulled it off. Three years ago Japanese politics underwent its greatest shake-up since the Second World War when the Liberal Democratic Party (LDP) lost its majority in the Diet after 38 years of unbroken power.

Despite remaining the biggest single force, the LDP was replaced in government by a coalition of small new parties. Their principal policy was reform of the political system, in particular the "iron triangle" of Diet members, businessmen and, above all, the unelected bureaucracy. Their chief ideologue and driving force was Mr Ozawa.

But within weeks, the coalition was in trouble, bogged down in scandal and internal feuding. One of its promises — reform of the electoral system

— squeaked through the Diet but in the summer of 1993, Mr Ozawa's reformers were ousted from power in an extraordinary marriage between the LDP and the Social Democratic Party.

This treacherous alliance between conservatives and former socialists, now led by Ryutaro Hashimoto, has endured three difficult years. Two natural disasters — the Kobe earthquake and the Tokyo subway nerve gas attack — as well as a stream of bureaucratic and governmental scandals, have been met with blithering indecision by the government, but Mr Ozawa's party has singularly failed to exploit the



Ozawa: Has managed to alienate all sides

situation. Shinshinto's support ratings are stuck at low levels; younger party members are now talking openly about breaking away to form a new New Party.

Few believe that the present arrangement can survive the next election, likely to be called for next January. There are even rumours that Ozawa will step down as Shinshinto leader, perhaps even after the present Diet session which ends next week.

These, perhaps unfairly, have been fuelled by his trip to London. The Shinshinto leader has suffered at least one heart attack, and the whispers have it that he visits Britain not only to call on politicians, but also to see a heart specialist.

Meaningful change can only be brought about from inside by one on intimate terms with the very power brokers whose power he would dismantle. For all his fresh ideas, Mr Ozawa is the consummate operator — before leaving the LDP he was a senior member of Japan's biggest and most corrupt, political faction. Backroom deals and arm twisting are his speciality; no Japanese election, after all, can be fought without the financial backing of rich businessmen.

Mr Ozawa's biggest failure has been in finding a new political method to match his reformist language. So far he has succeeded in alienating all sides — both the voters and younger politicians to whom he once seemed a breath of fresh air, and the old guard who still make up the majority of the Diet. Three years ago, Mr Ozawa looked like a new political species. Now he resembles an awkward hybrid — the head of reformer and the body of an old political dinosaur.

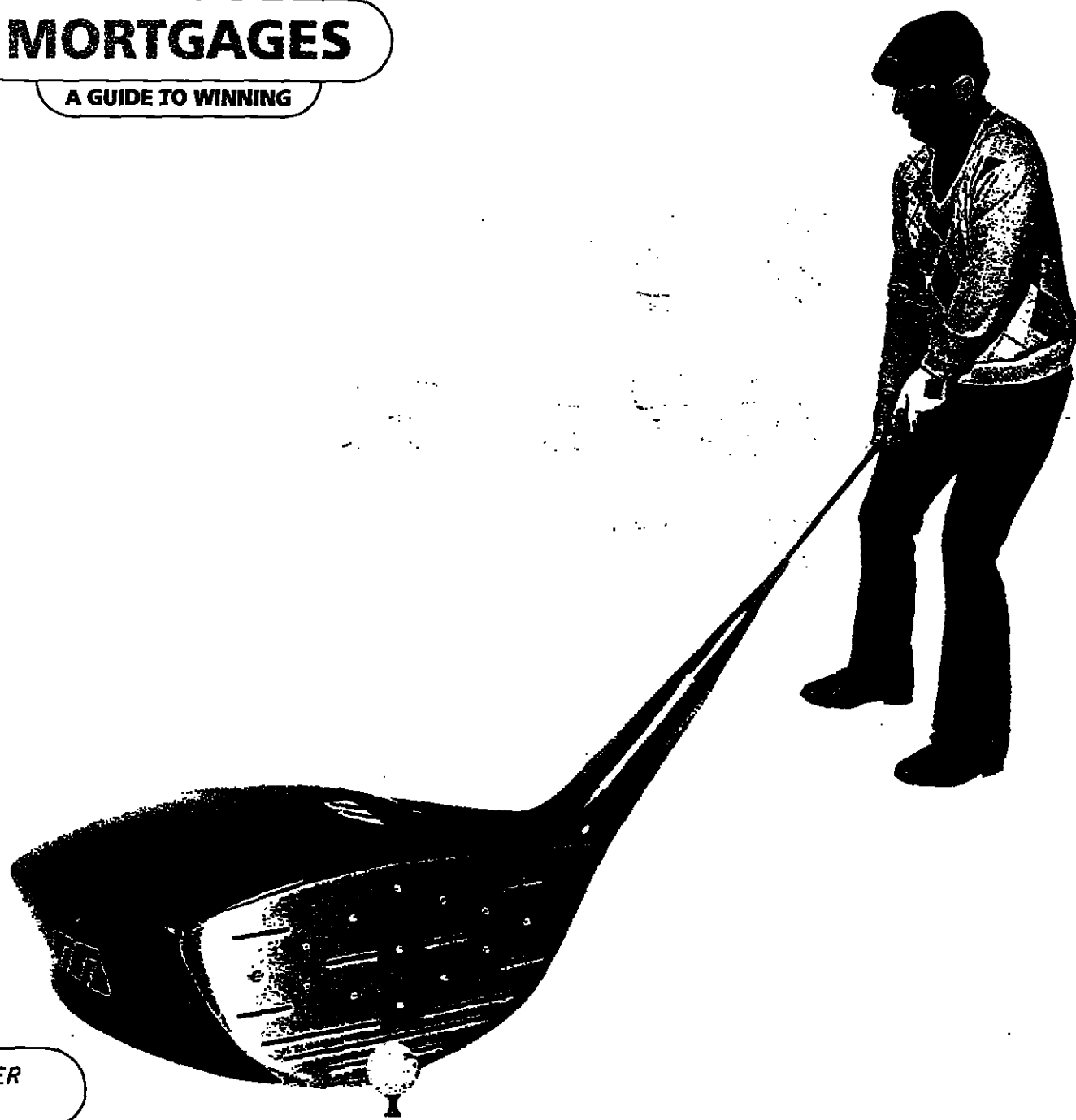
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صكرا من الامل

A government reduced to pork scratchings

A fag-end government yesterday as good as invited its supporters to open the pork barrel and lick the salt off the fattest knuckles they could find. Come and get it, said Stephen Dorrell, as he tore up the elaborate and much consulted-upon plan for acute services in north-west London, devised by his predecessor, Virginia Bottomley. He will doubtless feel that keeping a substitute accident and emergency unit open in Edgware is no great sacrifice.

Yet he knows, as all health secretaries know, that A&E is a touchstone in any national organisation of health care in urban areas. The public often clamours for high-cost neighbourhood facilities. They cannot be afforded, and that means hard decisions have to be made that appear to favour one location over another. Mr Dorrell's predecessor made a hard decision; he has changed his mind and given no convincing reason for it.

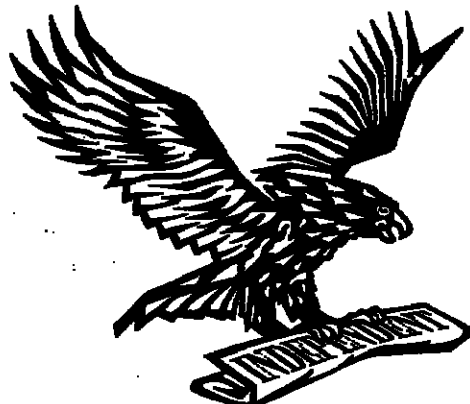
We are therefore left to conclude the obvious: blackmail pays. Local MPs Hugh Dykes and Sir John Gorst have stretched Mr Dorrell over the selfsame pork barrel. The health secretary is left presiding over a broken-backed health policy for the capital.

Not that Hugh Dykes and Sir John Gorst have themselves done anything reprehensible. Edmund Burke may have been a Tory, but neither the Tories nor any of the other parties

have ever accepted that sublimely impractical recipe for parliamentary representation set out in his address to the electors of Bristol. Burke was wrong: MPs are obliged, at least occasionally, to try and do things for their constituents. The problem is balancing when they should speak for sectional interest, when for party, and when for nation. We hear Tory MPs speak for locality and – most usually – for party. We rarely these days hear them speaking for nation.

The very phrase pork barrel provokes comparison with the United States. American vote-buying offends us – but it is peculiar to the American political culture, which depends on pork for lubrication. Getting the goods for state and district is what elected representatives are there to do: that President Clinton should lobby for Arkansas chicken exports while chatting to Boris Yeltsin in the Kremlin should not shock us. American pork barrels – and those packed with chicken, oil, tobacco, rice and cotton – are all politically functional.

Here the size of the barrel is determined by the power of MPs. They lack power. They have little direct sway over executive decisions, and are only able to strike a wee bargain here and there. Of course they can and ought to help out their constituents, by chivvying the local council or heading deputations for foreign investments, or whatever. But



ONE CANADA SQUARE CANARY WHARF LONDON E14 5DL
TELEPHONE 071-293 2000 / 071-345 2000 FAX 071-293 2435 / 071-345 2435

the opportunity with which Dykes and Gorst were presented was exceptional, and, for them, not to be passed up. Weakness and division in a government whose whips' office is in a state of terminal impotence presented them with a mile-wide opportunity.

Good for Edgware, Harrow and Hendon. But bad for Tory claims to be a party with a health policy, and fatal for Tory claims to disciplined fiscal management. And if, as the election approaches, we just happen to hear Mr Dykes and Sir John Gorst daring to claim they have any firm stance on the

particular control of health spending, then that hypocrisy would be blatant for all to see.

More strikingly, this north London pork barrel tale is symptomatic of a wider governmental malaise. The way this government is shown, every day, at every turn, to be deeply debilitating. The development of policy is at a virtual standstill, because nothing significant can happen before the general election. Instead, we are offered old meat, for example from Gillian Shephard on selection, or from Michael Heseltine with his recycled competitiveness white paper yesterday.

Mr Clarke goes to the Mansion House. It is an occasion when he could, even if he had little new to say about macroeconomic policy, have tried his hand at explaining and analysing trends in the world economy. He might have sought to attach his name to the new pragmatism that rules in economic decision-making; he might have used his time to lecture the City about domestic investment. Any or all of that would have told us that here was a Chancellor thinking ahead.

Instead we get Mr Clarke indulging in the party dog-fight. What he had to say about the Eurosceptics is well taken, but, in a purely government sense, it is not material – it is about internal Tory divisions, which need an election before they can properly be resolved. The governance of Britain is captive to the petty squabbles of a political party whose mandate was exhausted months ago. The nation has been precipitated into potentially calamitous demarche with our fellow members of the European Union for the sake, largely, of keeping a fissiparous party together for a few sterile months longer.

This little arm-twisting episode in north London emphasises the impossibility of Mr Major's administration any longer sustaining an intellectually consistent position, for the simple reason that his premiership is now hostage to the influence of even the

tinest minority of determined MPs. Being up to your arms in pork, as the whole of Congress is in America, is one thing; living with a government that has only scratchings to offer from the bottom of its political barrel is quite another.

Hope at last for the child victims

As, finally, a proper publishable investigation into child care in North Wales gets under way, it is tempting to sling around recriminations about how it all took too long. There will need to be searching questions about the role that Welsh Office civil servants, government legal advisers, councillors and their officials in Clwyd all played in blocking a full inquiry before now. But for today, let us thank William Hague, the Welsh Secretary, for provoking the Prime Minister into doing the right thing. And let us also give due credit to John Major for venting his rage at bureaucratic blockages. By appointing Sir Bill Utting to look quickly at safeguards for all children in care throughout England and Wales, Mr Major has at last offered hope that the abuses – most vigorously exposed by this newspaper – may be understood and addressed.

LETTERS TO THE EDITOR

Russians vote with the heart not the head

Sir: In response to your leading article "If Russia turns back the clock, everyone loses" (12 June), I agree with you that when given the choice people do not always choose wisely. Like all people, and perhaps to a greater extent than others, Russians are guided more by emotions than by reason.

The sensible person will calculate that the only way to avert an even deeper crisis and the Communist takeover is to vote for Boris Yeltsin. The emotional one will be unable to "choose wisely" because his or her heart is burning with sorrow for the losers of badly conducted economic reforms and the victims of the Chechen tragedy. He or she feels that Russia deserves a better president who will be able to solve the pressing internal problems and to improve Russia's standing abroad.

You criticise Yeltsin's government but conclude that, on balance, Gennady Zyuganov, the Communist leader, will cause more damage if elected. That is what common sense tells the reasonable person. But for better or worse, the majority of Russians listen to their hearts more than to common sense.

Zyuganov promises to eliminate poverty and unemployment and injustice. He speaks of equality and the sense of community and social justice. Many people support him not because of but despite his "nostalgia for the Soviet Union". He speaks of national grandeur and people applaud him not because they want to "turn back the clock" and restore Russian influence over half of the continent but because their national pride is hurt by the humiliation they feel Russia faces from the West.

Your fear that Russia will turn Communist again is not unfounded but there is no reason to be pessimistic about the future. The Communist rule will not last long. Soon the emotional person will realise that Zyuganov cannot solve our economic problems – not to mention political – and will rebel again. Russia will turn liberal, and everyone will benefit.

BARBARA DANILINA
E-mail: danilina@comcast.ac.uk

The writer is a student at Moscow university

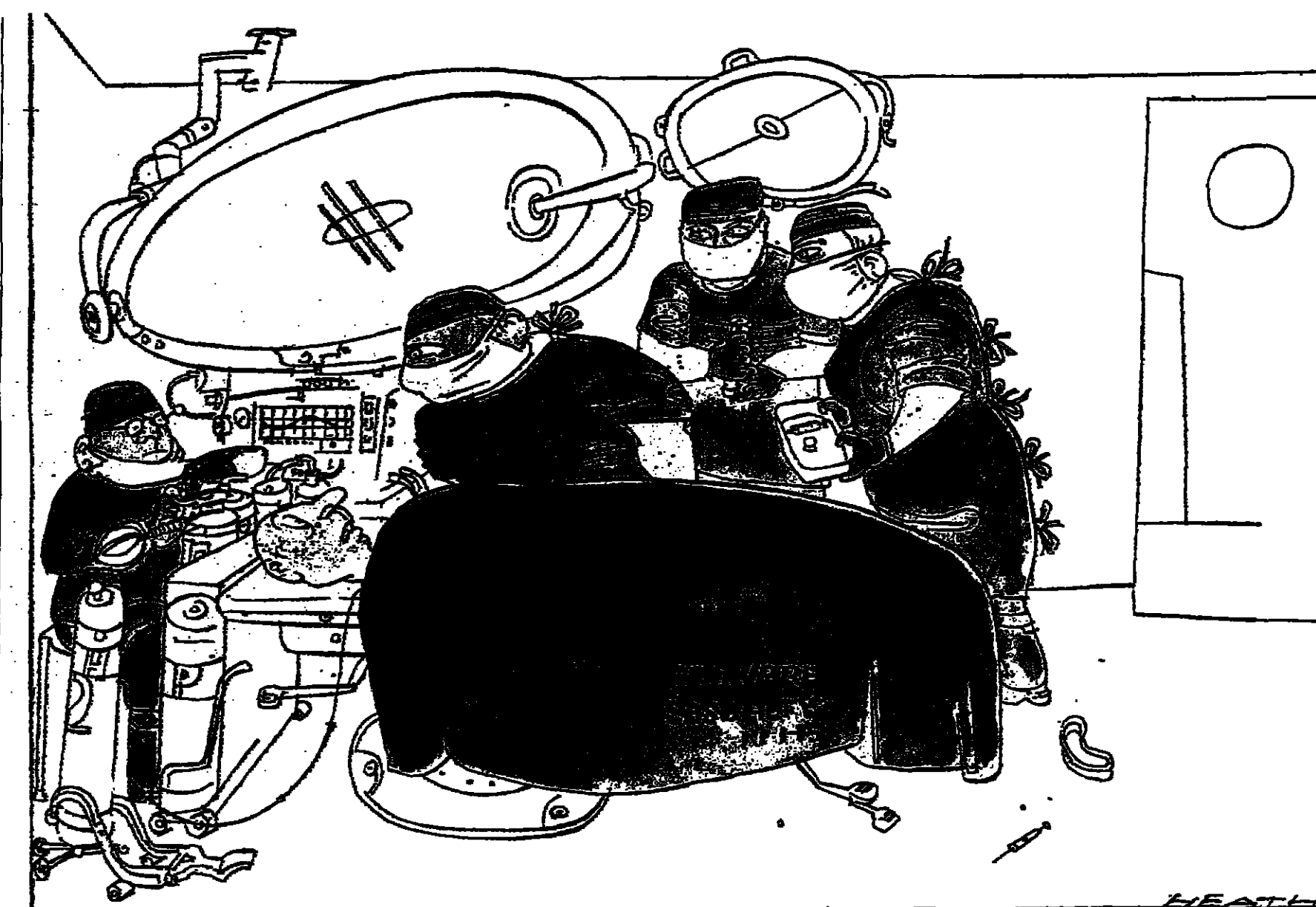
Champion of the poor

Sir: The United Nations stands at a crossroads in its history. Facing a cash and credibility crisis the UN needs major reform and requires a new vision for the future.

The election of a new Secretary General in the person of the Irish President Mary Robinson represents that hope for the future. She has been a constant champion for the poorest of the poor, is outspoken against injustices and is imbued with democratic instincts.

President Robinson has emerged as the clear successor to the current incumbent. The former British Permanent Representative to the UN, Sir Anthony Parsons, sees her candidacy as a "very strong runner" (report, 4 June). His seasoned opinion is shared by the people she has reached out to touch.

It is vital that the British government is urged by the public to join the growing groundswell



John Major says you can only have the operation if you vote Conservative

and endorse her candidacy for this post. Ireland will lose a great president but the world will gain a woman of vision and ability.

JOHN O'SHEA
Director, GOAL
Dublin

Sue the one who can pay

Sir: Don't kill off all the "ambulance-chasing lawyers" just yet (Polly Toynbee: "Litigation is the wrong medicine" and Yvette Cooper: "Money: miracle cure of the Nineties", 12 June).

Any tort law student worth his salt will tell you that the key issue in accident compensation is not who is to blame, but who can pay. Money is exactly what Christina O'Sullivan is going to need to care for a child with spina bifida, and she would never get near that same amount of money from the social security system and the NHS. It is fortunate that Ms O'Sullivan had a solvent defendant to sue.

Litigation is an imperfect remedy, available only to those who can establish fault, and as seen by the limited class of Hillsborough victims awarded compensation by the court – police officers, but not victims' families – it is sometimes unfair and unpredictable. But in the absence of a comprehensive, state-run, accident compensation system for all, at least a lucky few have recourse to more adequate compensation through litigation.

MAKITHA WARREN
Lecturer in Law
Centre for Legal Studies
University of Sussex
Falmer, East Sussex

We get teachers we deserve

Sir: Fran Abrams' revelation that low A-level grades are sufficient for many teacher training courses should not raise many eyebrows.

In this market economy the market for qualifications and jobs is governed by simple rules of supply and demand. A poorly paid, publicly reviled, and systematically disenfranchised profession is not going to be the first choice of the brightest students. Raising of entry requirements would result in a shortage of applicants. Raising salaries would raise applications, and ultimately the expertise of the profession. This has been argued for many years. Broadly speaking, we have the schools and teachers we deserve, because we collectively value them so little.

JEREMY NICHOLS
Banworth, Cambridgeshire

Sir: I trained as a primary school teacher between 1974 and 1977. One did not require A-levels and we did not train for a degree but rather a Certificate of Education – a teacher training certificate. I gained entry to teacher training college in 1974 with only 4 O-levels and 1 CSE.

This did not preclude me from training as a primary teacher because it used to be recognised that high A-level grades and a degree did not give a person the qualities to teach four and five year olds these basic skills. Since then as a mature student I have gained both a first and second degree

which must indicate that I have, and must always have had, the academic ability to do so. There has always been snobbery in further education circles and Mike Bossingham's letter reflects this snobbery against non-degree further education courses.

Probably the most important skills one could teach primary school children are literacy and numeracy and the reality is that good teachers and high grades are not necessarily related especially when teaching basic skills. Being able to teach others is not the same as being able to regurgitate facts to pass A-levels or gain other paper qualifications but relies on patience and a range of approaches and interpersonal skills which cannot be tested by A-level examining bodies.

FRANCES BROWNE
London W7

TV funding formula

Sir: In his article, "The future for ITV" (4 June), Matthew Horsman appears to have misunderstood the facts underlying the current debate on the funding formula subsidies paid by Channel 4 to the ITV companies.

Channel 4's revenue is not a pot of money for competitors to use as they think fit. We are talking about the advertising revenue that we, in competition with ITV and satellite, earn in the market place. Under the existing funding formula arrangement the Channel is

effectively required to pay half of everything we earn over 14 per cent of terrestrial net advertising revenue to ITV. Consequently last year we paid £74m (the equivalent of one quarter of our annual programme budget) to ITV's shareholders. This year it will be nearer £90m.

Mr Horsman advocates "leaving the levy in place until 1998" as if that were some novelty: it is in fact precisely what is going to happen. The Channel has agreed to continue the payments to ITV until the end of 1997, by which time the ITV companies will have received £300m from us, three times the amount they expected when they bid for their licences.

There is no reason whatsoever for Channel 4 to continue to subsidise ITV. Indeed, in the debate in the House of Lords on 16 January, the Heritage minister Lord Inglewood confirmed that the formula was not intended as a subsidy. Government has also made a clear statement of policy – which it reiterated in the Commons Standing Committee yesterday – that it wishes the formula to be subject to a two-stage phased reduction leading, in principle, to zero for calendar year 1999. This is a sensible compromise and we await the final confirmation of the details of the phasing-out of this unnecessary and damaging drain on Channel 4's programme budgets.

MICHAEL GRADE
Chief Executive
Channel Four Television
Corporation
London SW1

A language sneered at

Sir: I was amazed that as many as 5 per cent of British children thought Esperanto should be the single international language for Europe (report, 10 June), considering that it is six years since the Modern Languages Working Group arranged for it to be excluded from the National Curriculum. Up to then one could attain a GCSE in Esperanto, and the results were very good.

In spite of this, the leaders of professional languages teachers left Esperanto out of the list. It ran from Arabic to Urdu – 19 languages in all, and only these may now be taught as main foreign languages. Esperanto may be taught as a second foreign language, if there is a demand from parents; but as even parents have hardly heard of it, demand has been so little that the GCSE in Esperanto no longer makes a profit for the Northern Examining Board, and has been withdrawn.

Having no country, Esperanto has to be taught, which means co-operation from teachers of modern languages. Unfortunately they are so prejudiced against it that, if asked for information about it, they invariably sneer that it is only an artificial language with no culture. For a week in July the World Esperanto Congress will be held in Prague, and in August, in Shanghai, there will be the first Asian Esperanto Congress. I shall be at both, among thousands of other users of the language, from more than 70 different countries. No headphones, no translations necessary. Marvellous!

DAVID R. CURTIS
E-mail: curtis@enterprise.net

Globalisation of hi-tech jobs

Sir: The juxtaposition of two articles today (12 June) illustrates nicely how far off track many of our politicians are. In one we are told that Paddy Ashdown expects James Goldsmith to make Europe the central issue in the next general election, while the other tells us of union dismay at the export of some jobs to India by British Airways.

While Paddy Ashdown is probably right, it is the second item which shows that Europe is nothing more than a sideshow, a distraction from the real threat to our prosperity, our sovereignty, and possibly our system of liberal democracy. Manufacturing jobs have been exported almost without comment for some years now but deregulation and the falling costs of telecommunications mean that the process of globalisation experienced in manufacturing is now shifting into services, with a vengeance. The move by BA is a mere trickle, compared with the flood to come. As major employers follow the logic of the market we should expect a massive outflow of the relatively unskilled jobs, such as data processing. There is little to stop the bulk of such jobs in banking, insurance, and other services eventually locating in low-wage economies such as India.

You report that the GMB union concerned over the BA move intends to "seek legislation, similar to US law, stopping companies taking jobs out of Britain simply to take advantage of low pay". GMB leaders must know that this government has already opposed European and American efforts to agree much less "protectionist" measures than they suggest.

Steeped in neo-classical theory the Government believes firmly that globalisation will enrich all, eventually. This may well be right, but, as many academic commentators recognise, the structural disruption and redistributive effects which occur meanwhile could be fatal.

COLIN KILCOURSE
Tolman, Devon

Sir: The Independent today reported comments made by the GMB union about British Airways' creation of jobs in India ("British Airways exports data processing work to India", 13 June).

The report does not reflect our commitment to employment in the UK. We employ 46,000 people in this country and we have created 2,000 new jobs in the UK over the past year.

We compete globally, operating in 83 countries. More than 50 per cent of our revenue is generated outside the UK. Ensuring that we are competitive in everything we do and pursuing appropriate opportunities wherever they arise are essential to maintaining our success and to preserving jobs in the UK.

MERVYN WALKER
Director of Human Resources
British Airways
Heathrow Airport

Missing men

Sir: If six out of 10 British men are either not registered with a GP, have never registered with a GP or do not know their doctor's name (report, 11 June), GPs must be relieved of 30 per cent of their potential adult workload.

Where would the NHS be if these men became brave enough to go to the doctor?

PATRICIA V. DAWSON
London SE20

analysis

The pop star Dave Stewart has come out as a victim of 'Paradise syndrome', the scourge of the very rich. Bob and Paula seem to be fellow sufferers. Meanwhile, the poor, we are told, may be spending more. Liz Hunt and Nick Timmins report

Paradise lost: they're so rich it hurts

This week a very rich man broke ranks to reveal the secret torment that has marred his life for more than a decade. Dave Stewart, the multi-millionaire musician and a driving force behind the Eighties super-group The Eurythmics, told an audience in London how he had fought and failed to conquer a debilitating affliction that has forced him to seek help from doctors around the world.

Stewart was a victim of Paradise syndrome, a condition known only to some psychologists – and the fantastically rich and successful. Paradise syndrome is a mental disorder that strikes over-achievers whose immense wealth provides them with a perfect life. They simply cannot cope and must find ways of making it worse.

"It is when your world is going absolutely, fantastically well and you feel so inspired," Mr Stewart said. "Everything you have possibly wanted to do in life you can do. You can just decide you want to do something and things fall into place. You think there must be a catch," he said. And if there isn't, you imagine one. Or create it.

By bravely speaking out, Stewart has helped the many to understand the few. Perhaps members of this fabulous minority will even come to terms with their condition. A support group – Paradise Lost? – and a "Freephone Paradise" helpline must follow.

Stewart's candour helps the rest of us, too. We accept that the rich are different, but acknowledgement by one of their own of the existence of Paradise syndrome explains more succinctly than any psychobabble therapist just why they screw up emotionally and practically on a grand scale so often.

It explains the poor little rich girl phenomenon typified by Barbara Hutton, the Woolworth's heiress, and Gloria Vanderbilt. It prompts better understanding of the downfall of scions of the British aristocracy such as Jamie Blandford, Marquess of Blandford, and John Jermyn Hervey, Marquess of Bristol. And it is confirmed in the comments of Henry Dent-Brocklehurst, who this week inherited the magnificent

Sudeley Castle in Gloucestershire and an even more magnificent £50m withheld from him during his drug-steeped youth.

We can now sympathise more fully with the problems of the rich and celebrated – Elizabeth Taylor and George Best, for example – because we know about Paradise syndrome.

One of the most common manifestations of the syndrome is imaginary illness – the billionaire recluse Howard Hughes was a hypochondriac without equal. Stewart spoke movingly of his own experiences in this field. There was an imaginary kidney stone in Bangkok which resulted in the removal of his appendix, and a heart attack in New York which turned out to be muscle strain

By bravely speaking out, Stewart has helped the many to understand the few

due to over-exertion on the tennis court.

There are however, far more destructive manifestations of the disease, exemplified by the "Bob and Paula" saga, which limped to a surprisingly civilised conclusion in the High Court this week, when Paula's ex-husband, Bob, agreed to swap Chelsea homes with her rock star lover, Michael Hutchence. It is a poignant example because Paula Yates, 36, the peroxide and silicon-enhanced partner of the former Boomtime Rats lead singer and founder of Band Aid, Bob Geldof, bought heavily into the paradise concept during her marriage, with scarcely a hint that she would succumb to the syndrome.

Paula's television shows marked her out as a celebrity in her own right. Motherhood and the birth of the winningly named Fifi Tridibelle, together with worldwide acclaim for Band Aid, established the Geldofs in the public's affection as the glamorous king and queen of the rock establishment. She was irritating and he was unkempt, but it all seemed to work quite well. They married in 1986 in Las

Vegas – Dave Stewart and Annie Lennox were witnesses – and held a second wedding for family and friends at their country home. A knighthood for Bob signified universal acceptance of the couple and their lifestyle.

Domestic bliss at the Geldofs' £750,000 Chelsea home or at their £1.2m former priory home in the depths of the Kent countryside was a recurring theme throughout the late Eighties and early Nineties.

Meanwhile Bob, who was something of a lost soul after Band Aid, found success with Planet 24, a television production company responsible for *The Big Breakfast*. Paula was a regular presenter and star interviewer, where she shared a double bed with celebrity guests.

It was on that bed that she renewed her acquaintance with Michael Hutchence, Australian lead singer with the super-group INXS. An affair followed, and a year ago Paula said goodbye to her image of perfection and moved in with Hutchence.

Paradise syndrome, perhaps suppressed for years, struck with a vengeance and the Bob and Paula split degenerated into an acrimonious and high-profile dispute over money and property. At one stage she stood in the street howling obscenities and throwing stones at Bob's windows, and then there was a "quickie" biography sold for a £150,000 advance. Her weekly column in the *Sun*, for which she was paid £100,000, provided a platform for real mudslinging and outrageous comments about Geldof which aimed to shame him into coughing up more from his estimated £10m fortune. They divorced in December last year, but were still fighting for custody of a Chelsea mansion.

The apparently good-natured house swap agreed outside the High Court on Thursday – Bob and his girlfriend will move into Hutchence's one-bedroom news cottage, vacating the Chelsea mansion for Paula and daughters – was unexpected. Bob and Paula, seven months pregnant, appeared serene and smiling after the settlement.

But as with many cases of Paradise syndrome, she might just be in remission. LH



Top: Bob Geldof with daughters Peaches and Pixie yesterday. Centre: Paula Yates and Michael Hutchence on the infamous bed. Above: Dave Stewart and Annie Lennox

Paradise denied: the gap gets wider

Over the past year, an idea that has provided much succour for the left for a decade and more – that under the Conservatives the rich have got richer while the poor have got poorer – has taken a considerable knock.

Research showing that the bottom 10 per cent of the population has seen its income fall by 17 per cent while the top tenth has seen a 62 per cent rise has been supplemented by new data on spending and mobility.

When spending is examined, far from falling, that of the bottom 10 per cent has risen, by around 14 per cent. And those who make up the bottom 10 per cent are not a static, poverty-ridden underclass, but a much more mobile group than many once thought – with between a quarter and a half moving out of the bottom 10 per cent each year to be replaced by others falling down the income ladder.

The world is more complex than once it seemed – and the evidence that the poor have got absolutely poorer since 1979 is decidedly suspect.

The latest figures are the first good news the Tories have had on the subject in a decade, and Peter Lilley, the Secretary of State for Social Security, was using them yesterday.

But as with all figures, there are problems. For a start, a tenth of the population is a huge number – 5.7 million people. Buried within them are almost certainly people who have got stuck. And the data from which all the figures come, household surveys, exclude those at the very bottom of the pile – the homeless and bed and breakfast. Their numbers are not large. But there are undoubtedly many more of them than 20 years ago and they are the visible evidence of a more unequal society.

This is the core of the argument. For whether or not the bottom 10 per cent have got absolutely poorer since the mid-1970s – the widening gap in income distribution started before Margaret Thatcher came to power – it is clear they are relatively poorer, compared both to the middle and the top.

For them, paradise has been denied. Even using the spending figures – which show a less sharp growth in inequality than the income figures – those at the top have done three times better than those at the bottom, and been able to save an awful lot more to boot. And while widening inequalities have been a feature of most developed societies in recent years, what evidence there is suggests that inequalities have widened faster in the UK than in most other countries.

At some point, this is likely to matter to any society that wants to maintain its cohesion. A section at the bottom that sees itself becoming increas-

ingly detached is unlikely to have much sympathy for the top. And a top end of society increasingly able to make its own provision for education, health and income and care in old age may well become less willing to pay the taxes to help those at the bottom – either to work or for life where work is not possible. It hardly sounds like a recipe for peace.

The challenge Peter Lilley laid down yesterday to those who believe society is too unequal was to state what level of inequality they would accept – and why. But it begs exactly the same counter-question to those who believe the recent acceleration in inequality not only does not matter but has



Those at the bottom have become relatively worse off

been a positive good because it has provided greater rewards to those who have succeeded. What final level of inequality are they prepared to accept, and why? And do they believe the current trend is sustainable?

The challenge is a real one for both parties. It is unlikely that under the next government a trend that began before the Conservatives took power will cease. It has been driven not just by domestic policies on taxation, employment and benefits but by global forces which include trade and technology.

To halt the trend towards greater inequality at the bottom, let alone reduce it, is likely to require higher spending – on in-work benefits, on education and on training as well as on benefits for those who cannot work. Dramatic economic growth aside, that means either higher taxes or a more selective welfare state in pensions, education and health to release the cash another way: a route which would further detach the have-nots from the have-nots, while hitting those in the middle who are just too well off to qualify for tax-funded aid.

Neither provides an easy answer. But without one, the poor will not only always be with us but are likely to get relatively poorer. NT

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On yer jigger, Fat Owl of the Remove!

"Come on, Dad," said my son to me the other day, "let's get our jiggers out and go for a ride!"

"Our what?" I said. This was a new bit of slang I hadn't come across. My son is only eight but already he's coming up with stuff that leaves me flat-footed. Jiggers? Not a word I ever remember using.

"Jiggers means bicycles," he said, sounding a bit hurt at my forgetfulness. "Don't you remember? It was in that Billy Bunter book you're reading me."

He was right. I have been reading him a Billy Bunter book and jigger is used in it as a slang word for bicycle, and so we did get out our jiggers and go for a ride, so everything ended happily. Except, I suppose, that many a reader will frown at the source of this knowledge, so at a time when Enid Blyton is coming under fire I ought to justify my reading my own child anything as quaint, old-fashioned and politically incorrect as a Greyfriars story by Frank Richards.

It all came about because he had been listening to a Martin Jarvis tape of several Billy Bunter stories, and Martin Jarvis had made the whole Billy Bunter world come alive for him, as indeed Martin Jarvis can bring anything to life – Martin Jarvis could make the plays and novels of Samuel Beckett seem action-packed.

So my son wanted another fix of Billy Bunter. Had I got any Billy Bunter stories? he wanted to know. Well, no, I hadn't, but it so happened that I came across a Billy Bunter book in a second-hand bookshop a few days later.

Billy Bunter's Benefit. It was called. It had been published in 1950 by Charles Skilton, a publisher whose name I don't think I had come across before, and it had been around the world, because there was a tiny sticker inside revealing that it had been through the hands of "Angus and Robertson, Booksellers to the University, 89 Castlereagh Street, Sydney, Australia". It was £9. I bought it.

It has been a great investment because both my son and I have enjoyed the story tremendously – quite apart from all the eating, and fighting, and bicycle theft, and ragging, and heaven knows what, it must be the only school novel in which two rival dramatic societies put on competing productions of *Hamlet*, though I don't think this last has appealed much to my son.

Bunter himself is no doubt the most villainous hero ever created; he is so greedy, mendacious, cowardly, lazy and manipulative that I cannot think of any redeeming features, which I suppose is why he is so winningly attractive. And he has put a new word



Miles Kingston

into my son's vocabulary: jigger.

If someone had asked me last week what it meant, I would have said (hesitantly) that it was either a measure of spirits ("a jigger of rum") or a kind of insect that gets under your toenails. But to discover that it is also a bicycle is unnerving.

Mark you, we have always been short of a slang word for bicycle in English. "Cycle" and "bike" are mere abbreviations, and anyway "bike" has been stolen by the motorbike people. If the French can have a slang word for bike, la became, why can't we? Just asking...

And now I have even looked up "jigger" in an array of dictionaries and found that jigger means more things than even Frank Richards dreamt of. It is also:

1. A light lifting tackle used on ships;
2. A golf club, usually a 4 iron;
3. A 1½ oz whisky measure;
4. A kind of sieve used for sifting ore;
5. Another word for a chi-

goe, the insect that burrows in your flesh;

6. A runabout truck on a railway line (but only in New Zealand);

7. A device used when setting a gill net beneath ice (but only in Canada);

8. An old name for the stand or bridge used in snooker to rest your cue on when the cue ball is too far for comfort.

I think that's a wonderful word. It has more jobs than a Tory quango chairman, and does them all efficiently. I have no doubt. It would make a great quiz question – all you would have to do is read out some of the definitions, and then ask: "What is the word that means all those things?" And I would never have known all this had it not been for Billy Bunter.

So if anyone asks me in future to justify reading Billy Bunter stories, I shall say quietly: "I use them as a tool for enlarging my vocabulary. And I am not the only one. Did you realise they were widely on sale at Australian university bookshops in the 1950s?"

سكوت الراحل

the commentators

Enormous discounts on books have hurt both booksellers and authors. It must be time to end them, says Giles Gordon

High Street booksellers: Smith, Smug or Smersh?

There are two schools of thought, or thoughtlessness, about WH Smith. One is that Smush is the salvation of literature and culture in the high street; after all, you can buy Jeffrey Archer's and Jilly Cooper's latest offerings there. The other is that Smug is an abomination and an embarrassment: Britain's leading bookselling and newspaper chain, certainly since the 1950s, has been responsible for lowering the aspirations and potential of more than a generation of readers by providing so much pap.

The truth, I fear, does not lie somewhere between these two entrenched viewpoints. Until recently, the directors and senior executives were exclusively of the patrician class, with the chairman, Sir Simon Hornby, and chief executive, Sir Malcolm Field, dishing out crumbs of congratulation to harassed and uninterested staff.

As I wrote recently in a column for a glossy monthly, the top brass of WHS was unlikely to shop at any of its 450-odd branches, as it would be unlikely to find there books that would stimulate its interest. These paragraphs were removed from my copy at the last moment on the instructions of the magazine's Kremlin, as the monthly was selling fewer copies than it should have done at WHS and the management was terrified that criticism of Smug might result in the magazine being dropped by the chain.

For change is afoot at WHS, with Bill Cockburn, the new chief executive brought in from the Post Office, announcing yesterday that the group's "product lines" would be reduced from 49,000 to 35,000. WHS is the most powerful single force in the British

book trade. It is market-driven: why provide an intelligent service if it's more profitable to lay on an unintelligent one?

Sir Simon Hornby was succeeded in 1994 as chairman by the witty and energetic Jeremy Hardie, who has in his favour that he is married to a literary agent and thus is likely to be sympathetic to authors during his first year as chairman. Vikram Seth won the genuinely prestigious WH Smith Award for *A Suitable Boy*, notoriously omitted from the same year's Booker Prize shortlist.

Hardie must have realised that the times were out of joint for WHS, and quickly instituted radical changes, the most crucial being the departure of Sir Malcolm Field and the arrival six months ago of Cockburn. WHS is 204 years old, and the annual figures to be announced in August will reveal a loss – the first in the firm's history – of £20m. The workforce is being slashed by 1,100.

Most authors fear and loathe WHS, because they cannot find their books there, yet publishers invariably suck up to the young men and women who run the book side.

Publishers need Smith's business, and thus are prepared, albeit gritting their false

teeth, to give them preposterous discounts. For instance, 26 per cent of Reed's turnover (imprints include Secker & Warburg, Heinemann, Sinclair-Stevenson, Conran Octopus, Methuen, Mitchell Beazley) comes from WH Smith; 31 per cent if Waterstone's is included. Reed gives WHS an overall dis-

WHS even considered making publishers pay for the privilege of showing it their new books

count of 55 per cent off the recommended retail price, and WHS may return as many or as few books as it wishes. This gigantic discount is, surely, potential business suicide, and to some degree explains why a few months ago Reed failed to find a buyer for itself at the right price.

Other publishers give WHS even more lavish discounts: the Penguin Group gives

53.5 per cent, Orion 55 per cent, and HarperCollins an astonishing 56.5 per cent.

With discounts such as these, authors' royalties of 10 per cent, 12.5 per cent and 15 per cent of the recommended published price on hardbacks and 7.5 per cent and 10 per cent on paperbacks are automatically reduced to the same percentages of the discounted prices. When the Net Book Agreement was suddenly rejected last autumn, it was assumed, not least by WHS, that it would be the major beneficiary. This certainly has been the case with regard to discounts, WHS threatening not to stock publishers' titles unless they up the percentages. However, there have been no winners, and Britain's booksellers, the chains and independents, are not selling sufficiently more copies of books to justify the reduced prices of some.

It is hard to see how matters may improve for WHS's core business as a bookseller if it stocks even fewer titles than it does at present, and with a much-reduced staff there are likely to be even longer queues than there are at present at the tills (but let's hope that chocolate brown colour and those drab uniforms are abolished).

Publishers have to travel to WHS's headquarters at Swindon to present their forthcoming titles to the chain's book buyers. Titles are, essentially, bought centrally, which is why the same relatively few titles pop up with such inevitability in WHS shops up and down the country. Recently some bright new executive announced to publishers that in future they would have to pay for the privilege of showing their new books to Smith. This was quickly squashed after howls of anguish from publishers. Even so, publishers now often submit typescripts to WHS before taking a decision to publish, and redo jackets and covers if the minions at Swindon don't like them. And rather than unsold books being returned to publishers, the bulk-buying WHS's shredding and pulping machines are said to work day and night.

It is a cliché of the book trade that a healthy WHS leads to a healthy book trade. At present, beleaguered independent booksellers are turning their backs on ordering direct from inefficient publishers and are placing their orders with the country's very efficient wholesalers. Publishers don't like this because they have to give wholesalers, who by definition order in bulk, larger discounts than they do to independent booksellers lacking in muscle. The only solution is for the major conglomerates to insist upon reducing their discounts to WHS, which they will need to do for survival. This, of course, will put WHS in an even more parlous state.

The writer is a director of the literary agency Curtis Brown.

Why we must root out the abusers

by John Major

It is hard to take in the full horror of the sexual abuse of children that seems to have been widespread in residential homes in Cymru in the Seventies and Eighties. Some of the suggestions as to the number of children involved have been frighteningly high. Although there have been successful criminal prosecutions, there remains deep public concern that the full facts have never been properly uncovered.

The Independent has reported on these issues for some time and has shown the same deep concern as the Government. But the long-term effects of the abuse continue to pile up: as many as 12 young people formerly in care in Cymru have died in recent years in tragic circumstances. Some have committed suicide.

The last straw was the recent announcement that the report commissioned by Cymru County Council would not be published by the local authorities. I had no hesitation in concluding that we could not allow matters to rest there. The children who live in care homes are among the most vulnerable members of society.

They are there, very often, because they have literally no one else to turn to. Those who prey on that vulnerability need to be rooted out and prevented from ever again being in a position to exploit the young. And the system needs to be proof against any recurrence.

That is why the Government has decided to launch a thorough inquiry into the events in Cymru homes. William Hague will be setting out the details and terms of reference next week. And we must work to ensure that the problems that have emerged do not recur elsewhere. That is why we are inviting Sir William Utting, the former Chief Inspector of Social Services in England, to assess more widely whether the safeguards, which have been much tightened in recent years, are adequate to protect young children and properly enforced.

The picture that has emerged of events in Cymru and the damage that has resulted is one that fills the nation with disgust. The local authorities seem unable to get to the root of the problem. The Government is determined to ensure that we get answers, and that they are acted upon.

Will the nap turn red on Sunday?

Life in the Kingdom of Albion

Would London and the South-east prosper if they became an independent country?

We are in the process of rethinking the relationship between the various bits of the UK. There will inevitably be a new relationship with Northern Ireland. If Labour wins the next election, there will be a Scottish Assembly; if Wales wants an assembly it, too, will get one; and, just this week, Labour's Regional Policy Commission outlined plans for separate regional economic strategies.

But if the English regions are to have more power, what are the implications for the largest region of all? What will London and the South-east have to say? There is, as yet, little resentment in the South-east about the extent to which it has to subsidise the rest of the country, no equivalent of Umberto Bossi's Lombard League in Italy. But we are at one of those moments in world history when fissures within countries are growing, where their arbitrary borders are being questioned, where a grand redefinition of countries is possible.

So let's just suppose that in the next few years, an equivalent of the Lombard League does gather strength – let's call it the Thames League – and that the South-east and London do decide they wish to form a new independent country – let's call it Albion – and let's see.

We'll take the present official definitions, which run out as far

as Oxfordshire, Hampshire and the Isle of Wight, but exclude Suffolk and Cambridgeshire, both part of the London commuter belt. In practice, the boundaries would be decided politically: I suspect that with Oxford in, Cambridgeshire would eventually join, too.

This Albion would have a pop-



HAMISH MCRAE

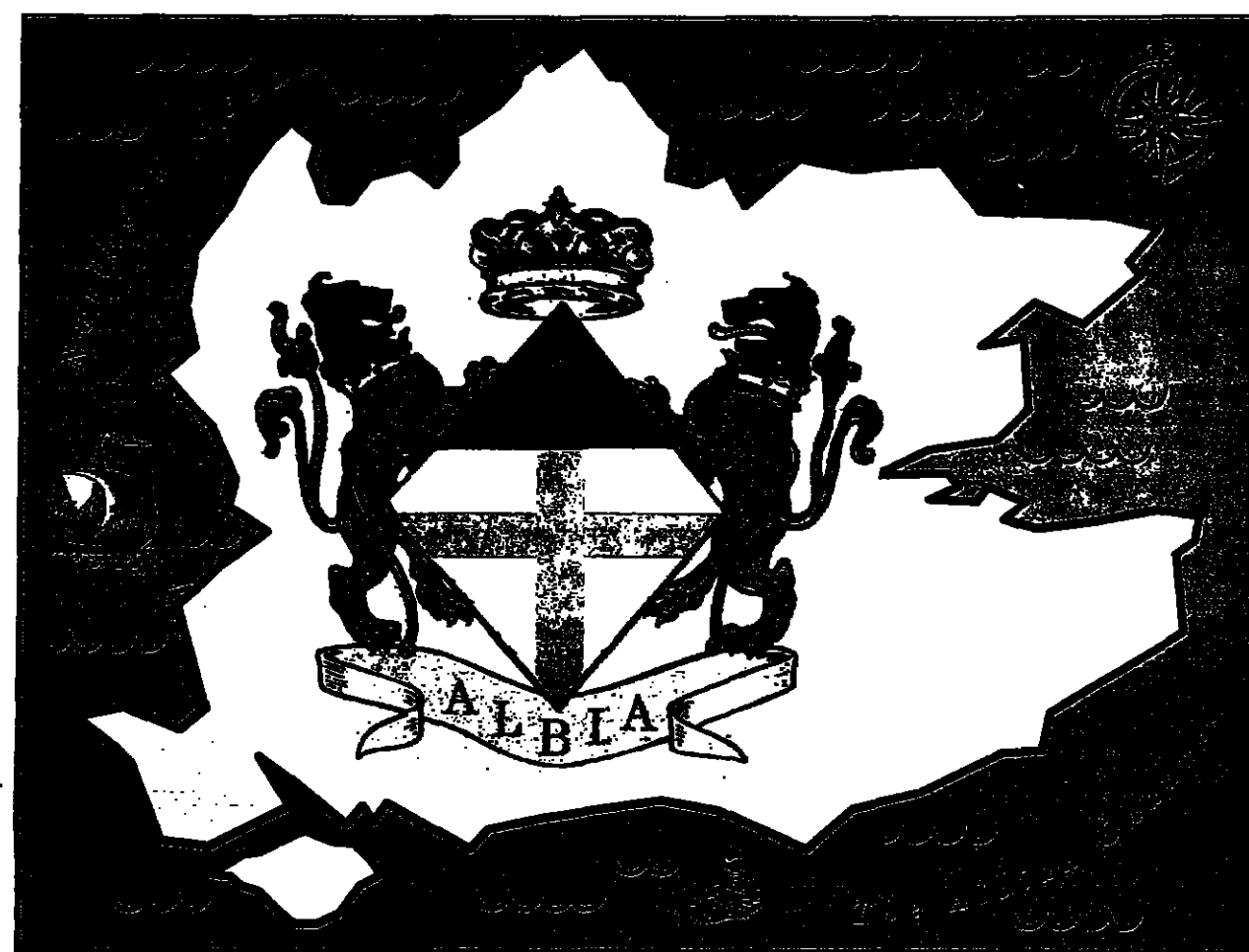
ulation of 17.8 million, making it a little larger than Australia, a lot larger than the Netherlands or Belgium and, to take a slightly different comparison, considerably larger than Scotland, Ireland and Wales put together. It would, of course, be considerably richer than the UK as a whole. London's GDP is about 125 per cent of the UK's, while the South-east's is a bit over 110 per cent. It would also be quite rich by European standards: Albion would have about the same GDP per head as France and Germany, maybe a little higher, and considerably higher than Italy or the Netherlands.

But how would the country appear in world terms? GDP would be more than \$400bn,

which on official figures is bigger than Russia. That says more about official calculations of GDP than it does about the real size of the Russian economy, but on my calculations, Albion would be number 11 in the world economic league.

In the short term the people in Albion would be better off as citizens of an independent country. The billions that people in London and the South-east pay in subsidies to the rest of the country would be available to improve the standard of living and the public facilities of Albion. We do not have regional balance of payments figures, but Albion would probably have a current account surplus. There would be a trade deficit, with large imports of manufactured goods, though the South-east has a high-quality engineering sector. Virtually all energy would have to be imported, too.

On the other hand, most of the UK's invisible earnings would be retained by the region, so there would be a large surplus on that score, particularly from tourism and financial services. In economic structure it would look rather like Switzerland, with relatively small manufacturing sector except in specialist areas such as pharmaceuticals, but compensated by tourism and banking. Were Albion to have its own currency (while the rest of the UK adopted the euro) it might run into the same problem as Switzerland, where the strength of



the Swiss franc tends to crowd out manufacturing. Viewed in static terms, it would be a very successful part of the world.

But what about the economic dynamics, for there would undoubtedly be big changes in the role of London, in particular. I think that Albion would gradually turn into something much more like Hong Kong or Singapore. It would lose some business in providing administrative services to a large hinterland. The other regions of England would no longer want to pay London rates for central government services. Albion, for its part, would no longer feel obliged to maintain military forces abroad, or to spend so much on diplomatic representation. It would behave much more like Australia, playing an important regional role, but not pretending that it was any sort of world power. I could see this sort of world power being part of the EU (like Switzerland) while the rest of the UK remained in.

If Albion would become less important politically, it would,

I suspect, become commercially more important. It could tailor its taxation and other financial policies to suit its own needs, without having to consider the rest of the UK. No longer would politicians elected by people with no interest in the economy of London and the South-east (and maybe some hostility towards the region) have any say in the way it organised itself.

Practical matters would be no problem. We have a model in the Benelux countries of a single economic zone with open borders, and it works very well. People on the Continent often live in one country and work in another: live in France and work in Geneva, or in Sweden and in Copenhagen. There are plenty of examples of common economic zones run by different political regimes. It would be no more difficult to manage a separate Albion than to manage a separate Scotland.

There would have to be a constitutional decision: would Albion keep the Royal Family or

would it choose to be a republic? I suspect that it would actually be more likely to vote to keep the royals, certainly in the initial stages of independence, than the rest of England: the Home Counties are pretty royalist.

In short, the idea of a separate, rich, city-state centred on London is wholly practical. It would be the nearest approximation, within the UK, to some of the fastest-growing economies in the world: in particular, Singapore and Hong Kong. Both those places have benefited vastly from independence from their hinterland. Why should Albion not do the same?

There is only one problem. This is not going to happen. It is not going to happen because the concept of England has too deep historical roots. Scotland, Wales and, of course, Ireland all have their own identities, separate from England's. But the South-east does not have an identity separate from the rest of England. That is the crucial difference between the Lombard League and the

Thames League: one has history, the other does not.

What is happening, though, is that cities and regions are becoming relatively more important vis-à-vis nation-states. The various regions of what is still the UK want more say in their own affairs, quite rightly, as Labour recognises. Expect Albion to want more say, too.

Nice theatre, shame about the play

Lottery millions for the arts should be spent on the players and audiences, not on fancy new buildings

In the spanking new buildings that lottery money is providing for the arts, you may not always see spanking new shows. But boy will you get a good meal.

The craziness of the way that lottery money is distributed has led to glaring anomalies. First, the millions going out every month can only be spent on "capital projects", ie buildings. Meanwhile the far smaller annual revenue grants continue to mean cutbacks and crises in even the biggest companies. They'll have the new buildings, but they may not be able to afford the new productions to stage in them.

Second, the hitherto undreamt of amounts of lottery money for the arts has led to the sudden discovery that what were thought to be sound buildings are in dire need of immediate replacement. Even the Royal Academy of Dramatic Arts (Rada) – though I don't recall hearing previously of a crisis there – needs £22m spent on it.

The prospect of millions of pounds on tap can turn the heads of even the most renowned arts administrators, who now dream of being Marco Pierre White. The Royal Court Theatre, the national centre for new writing, in its

£15.8m lottery funded redevelopment, plans an underground restaurant beneath St James's Square. Chelsea is not exactly short of restaurants; aspiring young writers are short of funding. But the former can get lottery money, the latter cannot.

Then there is my favourite piece of lottery lunacy, the English National Opera. First it wanted money to paint its striking and distinguished blue auditorium red. Now it wants to go considerably further. It is considering applying for money to move out of its home at the London Coliseum altogether. Never mind that the Government bought the theatre for the company only four years ago, never mind that it is brilliantly situated in the buzz and heart of the theatreland. There is money for new buildings about, so why not move lock, stock and barrel to the less than salubrious Kings Cross area? Besides, the Coliseum hasn't got a restaurant.

I shudder to think of the extent to which architects and builders have "adjusted" their prices for arts venues to take advantage of lottery mania. No investigation into that possibility has been carried out. It might have fascinating results.



DAVID LISTER

The system clearly has to change. And at last the opportunity is here to change it. The Heritage Secretary Virginia Bottomley and the Arts Council have agreed to widen the remit for lottery spending on the arts to include people, education projects and accessibility as well as buildings. An excellent consultation paper is being issued and the changes will be implemented from September.

Partly as a pre-election vote winner, and partly no doubt out of genuine concern, Mrs Bottomley has let it be known she wants to invest in young talent, in people as well as buildings. To avoid the need for new legislation she has co-opted a phrase that is consistent with investing in capital projects. People are "human capital". New artistic

work is also a capital scheme because it leaves "a permanent legacy".

Mrs Bottomley's wishes some lottery money to be spent on dance and drama students, who unlike their contemporary arts and music schools do not receive mandatory grants (while local authorities are increasingly loath to give discretionary grants). It does seem ludicrous that the lottery can provide £22m to give Rada an upgraded building, but talented students from poorer families cannot take up their places there.

Nevertheless, this would be an unwise use of lottery money. It cannot be used for long-term policy commitments as ticket sales could go down, future governments could change the list of good causes, the arts could cease to be a beneficiary of lottery money altogether. The simple answer is for the Secretary of State for Education, Gillian Shephard, to bring drama and dance into line with art and music, with student fees paid by mandatory awards.

What I would like to see happen from September is a change of focus from the arts practitioners to the arts consumers. The best way of doing this is to reduce ticket prices. Many theatre and concert prices have increased so

steeply that going regularly is less and less an option. Going as a family needs a second mortgage.

Other methods of increasing access must also be a priority. No arts building by the year 2000 should have any difficulties for handicapped members of the audience. And why not use lottery money for proper street lighting around arts venues, car parking and late night transport – all intrinsic parts of an aesthetic night out.

Lottery money must also be put into touring. Outside London the taxpayers who fund companies like the Royal Ballet and English National Opera cannot see them in action.

A percentage of lottery money needs to be earmarked for new work. Bursaries to help young writers, artists and composers would be a more constructive way of investing lottery money in the future. More constructive, frankly, than a never-ending list of refurbished buildings. Indeed before the lottery millions came available, it is hard to recall actual consumers complaining about most of the buildings that we are now told are in dismal repair. We were all too busy talking about what went on inside them.



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Surprise drop in inflation prompts hopes of rate cut

DIANE COYLE
Economics Editor

The sun was shining on Kenneth Clarke, the Chancellor, yesterday. News of a surprise fall in inflation last month prompted City analysts to predict another cut in interest rates as early as next month.

David Mackie, UK economist at investment bank JP Morgan, said: "Looking at this week's figures, I'm sure the Chancellor can justify in his own mind another quarter point fall in base rates in July."

Yesterday's favourable retail price inflation figures followed others earlier in the week showing lower-than-expected inflation at the factory gate in May, along with stable underlying earnings and a fall in manufacturing output in April.

The headline rate of inflation dropped to 2.2 per cent, the lowest since September 1994, from 2.4 per cent in May. The target measure of inflation, which excludes mortgage interest payments, edged down to 2.8 per cent after sticking at 2.9 per cent for three months.

The tax and price index, the broadest indicator of the cost of living, grew at its slowest rate for more than three years in the year to May. It rose by only 0.7 per cent in 12 months, thanks to the income tax cuts that came into effect in April.

"The outlook for inflation is becoming spectacularly good," said Ian Shepherdson at HSBC Markets, although he thought Mr Clarke might hold out until September before cutting the cost of borrowing again. As sharp increases in the retail prices index last August and

September drop out of the 12-month rate, headline inflation should fall further.

The main contributions to last month's decline in the headline rate were lower mortgage rates and a drop in seasonal food prices. Seasonal foods now cost 0.5 per cent less than a year earlier, having risen significantly earlier in the year.

Lower crop yields due to bad weather conditions are likely to take them higher again, the Office for National Statistics warned.

Meat prices rose in May, with increases in lamb and bacon more than offsetting a small fall in beef prices. However, meat made a negative contribution to the year-on-year inflation rate because poultry prices were higher last year.

Clothing and footwear prices were 1.2 per cent lower than a year earlier, matching the lowest rate since July 1953. Summer sales could put further downward pressure on clothes prices.

Household goods, services and personal goods also helped trim the 12-month inflation rate. The rate of increase in prices of services is at its lowest for 10 years.

The main upward pressure came from motor costs. Second-hand car prices rose, having fallen last May.

The target measure of inflation, the RPI less mortgage interest payments, declined to 2.8 per cent.

It remains above the Government's 2.5 per cent target, but most economists predict that it will decline towards the target level later this year.

Further falls in inflation would bring lower interest rates into prospect. Mr Clarke referred to the absence of any cost pressures when he sprang his surprise quarter-point base rate reduction last week. In his speech at the Mansion House dinner on Wednesday he said that if he could cut interest rates again without jeopardising the inflation target, he would.

However, many analysts still think demand will be expanding fast enough by the end of the year to require base rate increases next year. "Other indicators such as consumer demand and service industry pay suggest that sustained inflation below 2.5 per cent is unlikely," said Kevin Darlington, UK economist at Hoare Govett.

Financial markets are betting that the level of base rates will start to climb next year. Official figures next week for retail sales and consumer credit in May are expected to confirm the increasing vigour of consumer spending.



High hopes in the high street: Lower prices and falling interest rates have lit the blue touchpaper for increased consumer spending

Cut-price Asda steals a march on rivals

NIGEL COPE

Archie Norman's price-cutting tactics have made Asda the most improved performer in the supermarket wars. Meanwhile Tesco is continuing to outperform arch-rival Sainsbury's with Safeway back in fourth place.

The trends are identified in the latest market share figures from AGB, the market research group. They show that in the four weeks to 2 June, Tesco increased its UK share to 21.1 per

cent against 20.7 per cent the previous year. This makes it the clear market leader ahead of Sainsbury's, whose share has fallen from 19.1 to 16.6 per cent. Asda has consolidated its position as number three in the market ahead of Safeway with a rise from 10.9 to 12.3 per cent.

It is also understood that Asda's like-for-like sales continue to outperform most in the industry. In the six months to April, comparative sales rose 10.5 per cent. Since April the in-

crease is 12 per cent. Asda has styled itself as the cheaper alternative to its rivals with high-profile campaigns on the price of books, bananas and non-prescription medicines.

Asda shares rose 2.75p to 120.75p. Tony MacNeary, food retail analyst at NatWest Securities, said: "It is a stunning performance. I'm not sure where the growth is coming from but with figures like these they do not need a loyalty card."

Sainsbury's is due to launch its Reward loyalty scheme on Monday. According to a leaked internal memo, the company will need to increase sales by 2.4 per cent to cover the costs of the card. Tesco's ClubCard required a sales uplift of around 2 per cent to pay for itself.

The Reward card will offer Sainsbury's customers a 1 per cent discount on goods, with one point earned for every £1 spent above £5. This compares with Tesco's minimum of £10. The first set of vouchers will

be mailed out in September and can be redeemed at branches of Homebase and Texas Homecare as well as Sainsbury's supermarkets.

It is understood that the initial card will be a simple discount scheme, though other facilities could be added. Tesco's ClubCard also started as a straight voucher offer. It has since signed deals with Lunn Poly and B&Q. Last month it launched ClubCard Plus.

Kiss FM wins new Yorkshire radio licence

MATHEW HORSMAN
Media Editor

They'll be dancing to new tunes in Yorkshire following the award last night of the new regional radio licence to Kiss FM, sister of the dance music radio station currently operating in Manchester.

The hotly contested award by the Radio Authority could revive concerns, however, about the growing concentration of

potential abuses of monopoly power.

The Office of Fair Trading has so far refused to act, arguing that Capital has given assurances that it will not act in an anti-competitive manner.

The Incorporated Society of British Advertisers said last night that its earlier warnings about concentration in the market had gone unheeded. "All I can say tonight is I told you so," John Hooper, the ISBA's director, said.

Guy Hornsby, managing director of Kiss 102 in Manchester, said that a dedicated sales force within MSM would handle the Kiss account in Yorkshire, and dismissed concerns about concentration.

The award to Kiss FM comes just 18 months after the launch of the company's Manchester service, which has proven one of the most successful in commercial radio. The company leases its brand name, Kiss, from Emap, which owns the Kiss 100 dance station in London. Emap will provide some marketing support, but has no equity position in the Yorkshire licence holder.

However, competitors warned last night that the Emap connection could lead to a change in ownership in the future. "If the Kiss brand is so successful in Yorkshire, it won't be long before Emap starts to think about taking the name back," said a senior executive at one of the rival Yorkshire bidders.

GWR results, page 22
Comment, page 23



Dancing in the Dales: One of radio's success stories

national advertising sales, already dominated by MSM, the sale house owned by Capital Radio.

Kiss, owned by a consortium led by Eastern Counties Newspapers and local partners called Faze Two, will use MSM to handle its sales, the company confirmed last night. In its original application, it had promised to use IRS, the only real competition, but IRS collapsed earlier this year when media giant Emap moved significant business to MSM.

With the new Yorkshire licence now in the MSM camp, Capital's share, already at 61 per cent, will go much higher, leading to renewed concerns over conditional selling and other

SIB bans derivative use to pay for takeovers

NIC CICUTTI

The Securities and Investments Board yesterday moved to ban the use of complex derivative instruments as a way of helping bidders pay for takeover costs.

In a parallel move, the Takeover Panel said that any party to a takeover bid would have to disclose derivatives holdings as if they were shares.

The move is aimed at preventing a repeat of last year's furore over Swiss Bank Corporation's use of options to build stakes in Northern Electric and other electricity companies.

When Trafalgar announced it was bidding for Northern, SBC was able to offset its costs through use of "contracts for differences" in Northern shares and a number of other electricity companies.

Although the takeover bid subsequently failed, Northern complained bitterly to the Takeover Panel, sparking a 15-month inquiry into the use and disclosure of derivatives trading.

SIB's involvement as the leading City regulator follows its role in helping to determine the

rules it hopes other watchdogs, principally the SFA, will adopt in relation to the use of derivatives by their members.

The regulator yesterday issued a consultation document which it claimed would introduce greater clarity in the market. Andrew Large, SIB chairman, said: "In the fast-moving and innovative derivatives market, it is important for firms to know what they can and cannot do."

"Our aim in producing this guidance is to protect the integrity of the markets and provide valuable predictability for

firms and their clients. All of us are concerned to avoid the abuse of markets, inadvertent as well as deliberate."

"By clarifying the regulation of this area, we aim to underpin the market integrity which regulators and the industry are keen to maintain."

The new rules mean that bidders must disclose any pre-existing indirect stakes under new Takeover Panel requirements when an offer is announced, even if they may not be disclosed under the Companies Act.

A SIB spokeswoman yesterday declined to say whether the

consultative paper was aimed at preventing a repeat of the Swiss Bank episode. The document was "forward-looking rather than dwelling on the past".

The matter of whether any disciplinary action could or would be taken against SBC was a matter for its own regulator, the Securities and Futures Authority.

Regulatory sources said that had this document been approved prior to Trafalgar's bid for Northern Electric, it would not have been possible for SBC's use of futures to go ahead in the same way.

It is understood, however, that concern in the way derivatives have been used affects a number of other firms which have complained to the SIB in the past year or so.

An SFA spokesman said: "This is an area that we wanted to clarify and does not just concern one company. We are at the moment in a dialogue with SBC which is continuing and I am not in a position to go into details at the moment."

SBC said it would study the document carefully before responding directly to the SIB.

Comment, page 23

Barings bosses not to be charged

James Bax and Simon Jones, the immediate bosses of Nick Leeson, will not face criminal charges in Singapore over the collapse of Barings, Britain's oldest merchant bank.

The Singapore government's Commercial Affairs Department said yesterday that there were "insufficient grounds" to bring charges, bringing its 15-month investigation into Barings, now owned by Dutch financial group ING, to a close.

Mr Bax was unavailable for comment. George Lim, the lawyer representing Mr Jones, said: "He [Jones] has always asserted his innocence."

Two other people investigated who will not face criminal proceedings are Edmund Wong, a director of Contact Software Engineering, which supplied Barings' computerised settlement system, and Daniel Argypoulos, a close friend of the failed Leeson and a trader with FCT (Singapore).

There has been strong speculation in Singapore that Mr

Argypoulos might be charged with helping Leeson in his unauthorised trades.

"After careful consideration of all the evidence, the Commercial Affairs Department has recommended to the attorney-general that there are insufficient grounds to bring criminal charges against them," a

spokesman said. The findings have been accepted by Chan Sek Keong, the attorney-general.

The investigation began immediately after the Barings collapse, which was caused by Leeson's unauthorised trading in Asian futures and options that plunged the bank £880m into the red.



Insufficient evidence: Peter Norris (left) and James Bax

The inquiry intensified last autumn following a report from inspectors in Singapore that partly blamed Barings managers for the collapse.

The report accused senior managers at Barings with covering up losses on some of the trades made by Leeson, who is serving six and a half years in jail, and preventing internal auditors from probing them.

It specifically mentioned Peter Norris, head of investment banking in London, and Mr Bax, who had his passport confiscated by the Singapore authorities.

The Barings affair has yet to come to a complete close, however. Price Waterhouse, the liquidators of Barings Futures (Singapore), is suing two leading accounting firms for £460m each, alleging negligence prior to the collapse of the bank.

The accounting firms Coopers & Lybrand Singapore and Deloitte & Touche said last week they would fight the allegations by BFs liquidators Price Waterhouse.

STOCK MARKETS						
Index	Close	Day's change	Change (%)	1996 High	1996 Low	Yield (%)
FTSE 100	3761.70	-7.50	-0.2	3857.10	3639.50	4.05
FTSE 250	4468.00	+0.80	+0.0	4568.60	4015.30	3.38
FTSE 350	1901.70	-2.90	-0.2	1945.40	1816.80	3.89
FT Small Cap	2240.27	-0.80	-0.0	2244.36	1964.06	2.91
FT All Share	1887.80	-2.70	-0.1	1924.17	1791.55	3.81
New York	5680.54	-7.75	-0.1	5778.00	5022.94	2.18
Tokyo	22082.40	-22.40	-0.1	22282.05	19734.70	0.72
Hong Kong	10866.02	-92.85	-0.8	11594.99	10204.87	3.86
Frankfurt	2567.47	-1.41	-0.1	2570.78	2253.35	1.53

Source: FT Information

INTEREST RATES						
Short sterling		UK medium gilt		US long bond		
1 Month	5.72	1 Month	8.08	Year Ago	8.19	8.13
3 Months	5.41	3 Months	7.06	Year Ago	8.18	7.20
6 Months	5.28	6 Months	6.82	Year Ago	8.18	6.61
1 Year	5.24	1 Year	6.82	Year Ago	8.18	6.61

CURRENCIES						
Index	Close	Day's change	Change (%)	1996 High	1996 Low	Yield (%)
FT-SE 100	3761.70	-7.50	-0.2	3857.10	3639.50	4.05
Dow Jones	4468.00	+0.80	+0.0	4568.60	4015.30	3.38
Nikkei	1901.70	-2.90	-0.2	1945.40	1816.80	3.89

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business

Southern Electric promises price cuts in water bid battle

MAGNUS GRIMOND

Southern Electric yesterday promised price cuts of around £10 a year to customers of Southern Water if its £1.6bn bid for the water supplier is successful. The offer to ameliorate price increases by up to 4 per cent over the next three years compares with a 3 per cent reduction over two years being offered by rival bidder Scottish Power.

Southern Electric, which also announced it was cutting bills for its own customers by 4 per cent, said it hoped the restrictions would set its deal "on the start of the road to clearance" by the water regulator, Ofwat. Henry Casley, chief executive, said: "We are not counting any chickens as far as this is concerned. We are optimistic, but not complacent. We will continue the dialogue with the regulator and with the Department of Trade and Industry and hope that leads to eventual clearance."

Scottish Power dismissed the move, which accompanied the publication of Southern Electric's offer document. A spokesman for the Glasgow-based group said: "This document shows Southern Electric's concerns about the competition we will bring to the region. We recognise the importance of a customer dividend. It is interesting to note they are following our lead."

Southern Water is already committed to raising its bills by 1 percentage point less than the 8 per cent over inflation allowed this year by the regulator. The REC says it will continue the water company's policy of keeping prices below

MAIN POINTS FROM YESTERDAY'S ELECTRICITY RESULTS

LONDON ELECTRICITY

London Electricity: underlying 5 per cent profits fall to £183m disappoints despite promise of real increase in dividends.

SOUTHERN ELECTRIC

Southern Electric: promising to slice £10 a year off Southern Water customers' bills if its bid goes ahead. Says it will cut domestic bills for its own customers by 4 per cent after decision by Ofwat to slash the so-called "nuclear levy". Average bill will fall to £265 a year.

Hydro-Electric

Scottish Hydro: proves its resistance to regulation with underlying profits up 16 per cent to £195m. Continues to raid England, where profits soared a quarter and now represent 28 per cent of the north of Scotland-based group's business.

the permitted level, cutting 4 points off the 20 per cent allowed above inflation by 1999.

Southern chairman Geoffrey Wilson claimed in a letter to Southern Water shareholders that the electricity company's bills had fallen by nearly 13 per cent over the past five years, equivalent to a saving of £40.

The documents show that directors of Southern Electric made substantial option profits in January, with Mr Casley leading the way with a paper

profit of nearly £195,000 on the exercise at 44p. He subsequently sold half the resulting shares at 89p.

The bid of £6.311.24 in cash plus 526 new Southern Electric shares values Southern Water shares at £10.02, a 5.9 per cent premium over Scottish Power's competing offer, the documents claim.

The news came as London Electricity chairman Sir Bob Reid issued a warning that any extra taxation on utilities im-

posed by a Labour government could hit much-needed investment. Threats of a windfall tax did not contribute to the stable fiscal environment required to ensure the steady flow of funds to finance investment, he said.

London announced pre-tax profits of £276m for the year to March, up from £172m before. But stripping out the holding in the National Grid, distributed as a dividend to shareholders last year, and exceptional items, underlying profits were down

5.5 per cent to £183m and disappointed analysts.

Sales of electricity rose 5.2 per cent last year, reflecting signs of revival in the capital's economy, the group said. The improvement has continued into the first part of the current year, with sales increasing by more than 5 per cent.

London has made a £4.5m provision to cover the effect of highly priced North Sea supply contracts on its joint venture gas operation with the French oil group Total.

GWR joins battle for new London FM licence

MATHEW HORSMAN
Media Editor

GWR's chief executive, Ralph Bernard, said yesterday that the company's struggling London News Radio associate will apply for the new FM licence for London being advertised by the Radio Authority.

LNR, owned 31 per cent by the Bristol-based GWR commercial radio company, will propose a business and sport format for the new service, which is expected to attract scores of applicants by the deadline of 9 July.

The news emerged as GWR announced interim profits of £2.4m, an 18 per cent increase, on turnover up 50 per cent at £21.3m. The pre-tax figure was deflated by expenses of £690,000 arising from its aborted bid for Radio New Zealand.

"We rate this as a good, solid performance," Mr Bernard said. The fast-growing company is one of commercial radio's success stories, having built up a portfolio of 32 licences, representing just over 14 per cent of total radio audience.

The company's future growth prospects may be stymied by the new Broadcasting Bill, which sets a limit of 15 per cent of total market share for any company. As a result, GWR has looked overseas in recent months, buying Prospect Radio in New Zealand, and expanding in eastern Europe.

"We think there are other opportunities in the Asia Pacific as well," Mr Bernard said.

The UK strategy will continue to be based on consolidating its position as one of the six main commercial radio companies. Mr Bernard said he

would seek to "rationalise licences" in the coming months, as it did by selling a direct stake in Isle of Wight radio this year.

Despite the limits imposed on radio companies, GWR plans to apply for at least three regional licences this year, including East Midlands. The company has yet to win a single new licence since the Radio Authority began the post-1990 round of awards. It has grown, instead, by acquisition.

GWR, through a joint venture, was also an applicant in the bid for the Yorkshire regional licence, which yesterday went to Kiss 102 FM.

Mr Bernard said GWR and its London News Radio partners, including Daily Mail & General Trust and Reuters, plan to relaunch the company's two services, one each on FM and AM, in the autumn.

3,000 shipbuilding jobs at risk as VSEL Barrow seeks new work

Up to 3,000 shipbuilding jobs – more than half the workforce – at VSEL Barrow will be lost in the next three years unless major new work is secured, Brian George, the company's chief executive, warned yesterday.

He said the company, which was recently acquired by GEC, was investing in new processes and equipment and must aim for a reduction in costs of 30 per cent.

Staff were told that the management expected a big change in working practices at the yard as work on the Trident subma-

rine contract comes to an end, and the company focuses on getting new submarine and surface vessel contracts.

Mr George said: "We must line up the terms and conditions of this yard with other yards with which we have to compete."

"The next step is to agree through the new culture and with the big investments we are making in new processes and new equipment to agree the way forward in terms of reducing our cost base by about 30 per cent."

Unions at the yard were left in no doubt yesterday that the company would adopt a hard

line. "We intend to win quite a lot of work. Unfortunately no one owes us a living, and my first task is to make sure that as a whole we are competitive," the chief executive said.

Alan Robson, a union representative, said: "The workers are far from being optimistic because they have seen the massive reduction in the VSEL establishment with its world-class technology and world-class workforce. Now the workers are being told 'Your future is bright', with 3,000 out of 5,000 being out of a job and all that expertise being lost."

IN BRIEF

• **London and Merchant Securities**, the property and investment group, increased profits by 40 per cent to £49.4m in the year to 30 March. LMS realised a profit of £18.7m last July by reducing its holding in the leisure group First Leisure from 15 per cent to 7 per cent. The results also included a £4.1m expense, part of losses incurred when LMS lost a £170m legal action against the four shareholders of BSKY8 last November. LMS is still negotiating how much it will eventually pay. Net rental income rose by 5.4 per cent to £34.4m despite a lack of rental growth in the office sector. LMS has expanded the retail side of its portfolio to 28 per cent in response and has invested £20m in the shopping arcades group Arcadia. It has also bought half of Clearwater Estates, a leisure park developer.

• **Royal Bank of Scotland's** US subsidiary, Citizens Financial, has agreed to acquire Farmers & Mechanics Bank for \$53m (£35m) cash. Farmers, a state-chartered savings bank headquartered in Middletown, Connecticut, has assets of \$540m, and 12 branches in south-eastern Connecticut. Following completion of the deal, expected at the end of 1996, Farmers will be merged with Citizens Bank of Connecticut, which has assets of about \$750m and 18 branches.

• **Spring Ram Corporation** has agreed a letter of intent to sell its UK door and window making business, Crosby, to Prendor of Canada for an undisclosed sum. Crosby, which includes the Regency Doors business, makes interior and exterior residential and architectural doors, windows and veneer products at four factories.

• **City Technologies** plans to raise £37.4m through the placing of 25,968 million shares, representing 53 per cent of the company's enlarged share issue capital. The company will place the shares at 175p each, valuing it at £85.2m. City Technologies says the placing price represents a price to earnings multiple of 20.91 times. Dealing is expected to commence on 20 June.

COMPANY RESULTS

	Turnover £	Pre-tax £	EPS	Dividend
Alphabetic (F)	14.7m (14.5m)	-0.14m (0.67m)	-0.3p (1.3p)	nil (nil)
Bracebridge (Hedge) (F)	27.4m (27.4m)	7.91m (6.89m)	11.4p (11.1p)	3.14p (2.48p)
Cable News (F)	13.2m (11.5m)	0.65m (0.77m)	13.34p (12.18p)	2.4p (-)
Daily Mail (F)	47.7m (47.6m)	41.8m (38.2m)	25.9p (27.1p)	4.6p (4.3p)
FDI (F)	67.3m (79.9m)	90.1m (85.4m)	11.3p (7.4p)	5.2p (4.45p)
Gerrard & McNeil (F)	-	22.2m (17.0m)	32.1p (20.3p)	23p (22.5p)
GWR Group (F)	21.3m (14.2m)	2.43m (2.06m)	2.3p (2.6p)	1.07p (0.94p)
Harveston (F)	44.1m (43.9m)	0.81m (1.43m)	3.33p (7.85p)	2.5p (2.5p)
Hickory Promoters (F)	95.9m (70.7m)	6.4m (4.52m)	33.7p (15.2p)	6.5p (5.3p)
Johnson Matthey (F)	2.53bn (2.18bn)	102m (85.4m)	34.4p (22.3p)	14.5p (13.5p)
Lafayette (F)	115m (117m)	9.36m (9.09m)	15p (8.8p)	3.915p (7.83p)
London Electricity (F)	1.19bn (1.21bn)	276m (172m)	108.7p (83.3p)	38.5p (29p)
London Merchant Bank (F)	-	49.4m (20.2m)	15.45p (11.05p)	4.8p (4.4p)
NBM (F)	127m (123m)	0.22m (0.09m)	0.03p (11.2p)	1.5p (-)
Pratt & Whitney (F)	72.9m (54.5m)	10.3m (7.54m)	17.2p (14.6p)	8.5p (5.4p)
RCI Holdings (F)	23.8m (24.7m)	0.58m (1.5m)	3.62p (11.71p)	4.95p (4.95p)
Regal Properties (F)	16.51m (14.44m)	1.88m (1.37m)	1.43p (1.17p)	0.5p (nil)
Scania Group (F)	526m (437m)	62.3m (48.1m)	17.7p (12.2p)	6.08p (-)
Scottish Hydro-Electric (F)	887m (833m)	195m (109m)	38.7p (31p)	18.5p (14.01p)
Sherrill Shotton (F)	6.79m (6.67m)	0.88m (0.70m)	9.53p (8.32p)	3p (2.5p)

(F) - Full (F) - Interim

THE INVESTMENT COLUMN

EDITED BY MAGNUS GRIMOND

DMGT looks forward with multimedia skills

Family-controlled companies can be either terrific or atrocious, but Daily Mail & General Trust very definitely falls into the former category. It owns the Cadillacs of the mid-market national newspaper market with the *Daily Mail* and its sister title the *Mail on Sunday* and has a brilliant range of regional newspapers grouped under the Northcliffe subsidiary.

But there is a big price to pay to reach and maintain market dominance in the cut-throat newspaper market. That much was made painfully clear yesterday, when DMGT disappointed the City with flat interim earnings and a warning of continuing tough conditions for the bulk of 1996. The shares slumped 62p to £14.78.

There were two culprits in the Mail's case. The first was unavoidable, and has affected all newspaper groups: high newspaper costs. These charged ahead by 28 per cent year-on-year, and will affect profits through the next six months, although costs look set to moderate at last.

The other was voluntary. DMGT has made a conscious decision to build its brands, and has spent freely – perhaps £7m – to do so. With reinvigorated competition from the struggling Express group following its parent's merger with Lord Hollick's MAI, the Mail has resolutely courted new readers. The costs of wooing former customers of *Today* were especially high. A few investors were clearly spooked by the flat pre-tax profit figure of £41m in the six months to May, which was way below analysts' estimates. But the mood among City followers was more relaxed.

While analysts were busy lowering their estimates for the current year, the future actually looks quite bright. The high promotional spend has obviously brought in readers, although it has yet to bring much increase in advertising revenues. But this is likely to happen. As a result, 1997 is likely to look robust.

DMGT has also cleverly extended its marketing and promotional skills into other media, not least its successful Euro money publications; a 17 per cent share in ITV company Westcountry; a stake in Teletext; a slew of radio investments and the embryonic network of local television stations known as Channel One. The future of newspapers is obviously in doubt – indeed, the business has been in gentle decline for years – and DMGT's investments in radio and television will be a welcome addition to the bottom line within a few years. If Channel One actually takes off – and the jury is definitely still out – then the company will have found its new cash cow.

In the interim, full-year profits, now expected to be around £90m, put the shares on a pricey multiple of 26 times expected earnings. But that could fall to 17 in the following year. Hold.

FKI set to go on buying spree

Sentiment towards FKI, the engineering to window furniture group, has been affected by its failure to make good the promise of earlier acquisitions that accompanied last June's £137m rights issue. But all that is about to change. The £39.2m purchase earlier this month of Wright Products, a US maker of door hardware,

could mark the start of a spending spree likely eventually to top £300m.

Jeff Whalley, chairman, revealed yesterday that due diligence is about to start on a second US buy worth around \$100m (£65m) and the accountants will be going in on another in the next week or so. FKI is also down to the final shortlist of three in the auction for a big European buy. Success in all three would use the group's entire £300m-odd spending facilities, which included net cash of £53.4m in March, but add turnover of around £400m or close to 50 per cent of the current total.

What Mr Whalley and his team could do with those deals is demonstrated by yesterday's results. Stripping out the £12.2m loss on engineering disposals last time, profits rose a third to £90.1m in the 12 months to March. The figures got a boost from Amhurst, the US lifting tackle group acquired last year, which chipped in £13.2m in its first 11 months, but saw margins quadruple to 10 per cent in that period, even after £1.5m of redundancy costs.

Apart from Amhurst, the two stars were the engineering and automotive divisions. Now stripped back to a number of niche transformer and switchgear operations, profits almost doubled to £15.7m and the order book is up a fifth.

Meanwhile, the world-leading automotive cables division shrugged aside a \$2m hit as a result of the General Motors strike to record profits a third higher at £11.7m. Hardware is seeing signs of a pick-up in housing starts in North America and will this year be without £2.5m of restructuring costs in Germany.

On NatWest's upgraded profits forecast of £108.5m this year, the shares, up 18p at 179p, stand on a forward price-earnings ratio of 14. With organic growth, recovery and acquisition prospects in view, the shares are still good value.

Johnson Matthey refines itself

Johnson Matthey is best known as the world's largest gold refiner and the pioneer of platinum-based catalytic con-

verters, but the business is gradually changing. Though platinum still runs through 75 per cent of the business, chairman David Davies is reducing the group's dependence on the more mature uses of the precious metal and using the cash generated in higher-growth areas.

The more mature applications include the distribution and marketing of the metal and its use in catalytic converters, though there is some growth left in supplying diesel car catalysts.

The main growth opportunities are in biomedical applications, such as anticancer treatments, ceramics and electronic materials used in the manufacture of micro-chips and semiconductors. From next to nothing five years ago, these three businesses account for 40 per cent of JM's earnings.

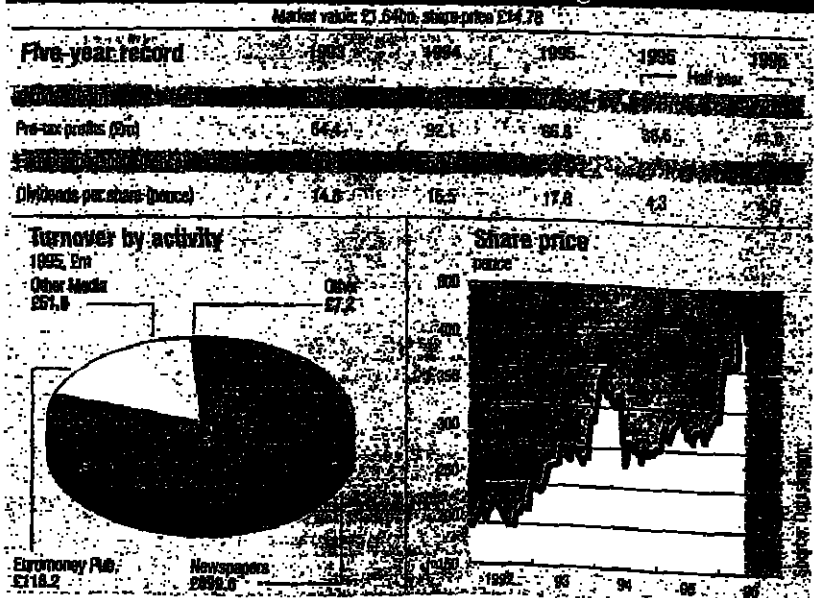
The past year has seen good progress in this direction after two sizeable acquisitions. Last August, JM acquired Advance Circuits, an American manufacturer of printed circuit-boards, for £109m. This March it paid £27m for the circuit-board operations of Cray Research, another US group. The deals were funded by a £117m rights issue, the first cash call in 10 years.

The wisdom of the diversification policy is underlined by last year's results. Though pre-tax profits edged up 6 per cent to £102m in the year to March, all the divisions improved their contribution apart from catalytic converters. Here the loss of a General Motors contract at the beginning of 1995 meant profits slumped 24 per cent to £26m. Though the traditional precious metals trading business saw profits munge 9 per cent higher at £44.6m, the new businesses performed more strongly.

Electronic materials increased profits by 36 per cent to £25.5m. ACL, the new US purchase, contributed £4.2m in six months. Cookson Matthey Ceramics, the joint venture with the Cookson group, also had a good year, improving profits by 54 per cent to £24m.

The five-year transformation of Johnson Matthey has been reflected in the share price which has risen from 285p to yesterday's 648p, up 9p. With UBS forecasting profits of £124m this year, the shares are on a forward rating of 16, a 20 per cent premium to the market. Hold.

Daily Mail and General Trust: at a glance



The Lord Mayor drops a Mansion House clanger

CITY DIARY

JOHN WILLCOCK

Collette Bowe, head of the Personal Investment Authority, was enjoying the Lord Mayor's speech at the Mansion House the other night. Until, that is, the Lord Mayor, John Chalmers, started talking about the City's continuing ability to attract overseas investment and business. Listing a series of the City's attractions, the Lord Mayor concluded with "the lightness of its regulatory touch."

This induced a sharp intake of breath from Ms Bowe, followed by a grimace and a forced smile. Perhaps the Lord Mayor should bear in mind that, on such occasions, he is addressing the gamekeepers as well as the poachers.

Sir Bob Reid, the chairman of London Electricity and a former boss of British Rail, is in high dudgeon over the Labour Party's threatened windfall tax on the profits of utilities.

To illustrate his ire, Sir Bob describes a meeting between Michael Faraday, the great Victorian scientist, and Gladstone, the then Prime Minister.

Faraday explains his exciting discoveries involving electricity, at which point Gladstone asks: "Yes, but what use is it?"

To which the eminent scientist answers: "I don't know, Prime Minister, what use it is – but I'm sure you'll find a way of taxing it."



And if you need a pint: Discovery Inns, the pub operating group, has bought the Fisherman's Cot at Bickley, in Devon for £1.5m. The pub, on the banks of the River Exe by Bickley Bridge, is reputed to have been the location that inspired Paul Simon to write *Bridge Over Troubled Water*.

The Corporation of London is certainly busy. A letter reaches us saying: "The City of London Cemetery and Crematorium throws open its doors for its third annual open day next month." Over 6,000 grave-spotters attended last year's event, which included tours of Europe's largest cemetery at Manor Park, near Wanstead. Tour guides will be on hand to point out the final resting place of Jack the Ripper's first two victims. A charming way to spend a summer's day.

Congratulations to Adrian Luckham, poached from Unilever to become the new UK managing director of Douwe Egberts, the Dutch coffee producer. Adrian sees the company's key task as "helping retailers to drive roasts and ground sector growth, consolidate existing distribution and increase shelf off take, via a highly creative marketing strategy carried out by a tight entrepreneurial team." I think he means sell more coffee.

Andrew Young, chairman of the General Insurance Council, and managing director of NFU Mutual, boasted at a council meeting that his company could make a killing at the bookies by correctly naming the Scotland line-up for Saturday's England match. Scotland has been using NFU's sports ground near Stratford for its training base during the Euro 96 tournament, and NFU staff know exactly who is in and who is out. But after much soul-searching, says Mr Young, NFU decided to keep this knowledge to itself.

Meanwhile the company's actuaries have been analysing Scotland matches going back to 1924 and concluded that the scores on Saturday will be 1-1. As a patriotic Scot Mr Young is convinced the Sassenachs will be defeated. "I'm telling the actuaries that they've got it wrong," he told the meeting. A voice rang out from the back: "But don't actuaries always forecast the result of the game after it's finished?"

Bayer admit

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COMMENT

"Without effective barriers between corporate finance and trading operations, the integrated house becomes essentially corrupt. Privileged information becomes no more than the tool of a no-holds-barred trading operation"

Gobbledygook, Chinese walls and the SIB

As an exercise in gobbledygook, yesterday's fifteen-page paper from the Securities and Investments Board on the use of derivatives during takeover bids takes some beating. It fair makes the head spin, even for those of us who think we know a little about financial markets. The central finding reads thus: "A firm should not use derivatives to enable a customer to buy or sell an indirect stake where the firm knows or has reason to believe that, as a result of inside information, the customer could not properly buy or sell an indirect stake on the open market."

So now we know. Translated into plain English, what this appears to mean is that action taken by Swiss Bank Corporation in helping its client, Trafalgar House, defray the costs of bidding for Northern Electric nearly two years ago, is illegal - "is" being the operative word here for that is not what the law actually says, it is what the SIB believes it should say. What makes this document doubly incomprehensible is that at no point does it refer to the Swiss Bank case. "No, no, no," says SIB. "The document does not relate to any particular case. It is merely meant as guidance for future reference". Dear, oh dear. The lawyers really have got to them, haven't they. We're not subject to any such constraints so here's an attempt to decipher the SIB's pearls of wisdom. When Trafalgar House bid for Northern Electric, it helped pay the costs by having Swiss Bank set up "contracts for differences" in a number of electricity

stocks. The question is whether this amounted to insider dealing. Corporate bidders are exempt from normal insider dealing rules. The law allows them to buy shares in a target company knowing that they are eventually going to bid at a higher price. What Swiss Bank did was construct some derivative instruments which gave Trafalgar an economic interest in the Northern share price and that of a number of other electricity companies, but it didn't actually buy the shares. The Takeover Panel considered the matter last year and concluded that this was not a case of insider dealing since buying a derivative is not much different from buying the physical stock. The SIB takes a different view. Buying a derivative is just a way of making money, says SIB, and in circumstances like these it is a one-way bet. As a consequence, the exemption shouldn't apply, claims SIB. A derivative doesn't help further the aim of control, the purpose of the insider dealing exemption.

There were a number of other related matters raised by the Northern bid. One is whether the Chinese walls used by integrated securities houses to separate highly price-sensitive corporate finance matters from the prying eyes of fast-buck traders actually mean very much. The suspicion is that in placing the contract for differences with market-makers, corporate finance effectively forewarned Swiss Bank's trading operation that something was afoot. Swiss Bank fiercely denies this but it did later transpire

that its trading operation had built up substantial positions in a number of electricity companies. All of them were quite out of proportion to those that might be expected in the ordinary course of market-making. In effect the bank was proprietary trading in these stocks only it was using market-making privileges to forestall disclosure.

The SIB view of these related matters is that if you ban the original derivative transaction, or what it calls the root cause of the "mischievous" then the Chinese walls issue becomes irrelevant since there would be no holes through which to peek. In so doing, however, it takes an interesting little dig at the whole idea of the integrated securities house. "We need to recognise that modern risk management systems, which are understandably designed to enable an integrated house to manage its risk in an integrated way, may cut across, and compromise, the ability of a Chinese wall to maintain a separation between different functions". Just what is the SIB saying here? If Chinese walls don't work, which is the implication, then the whole concept of the integrated securities house falls. Without effective barriers between corporate finance and trading operations, the integrated house becomes essentially corrupt. Privileged information becomes no more than the tool of a no-holds-barred trading operation.

No wonder the SIB feels the need to consult, which apparently it is not obliged to, on matters like these. While many smaller

investment banks and pure corporate finance houses are going to find themselves wholeheartedly in support of the SIB's analysis and prescription, the big battalions of the City with their all-powerful securities trading operations will feel not a little threatened by SIB's strictures. The dovetailing of traded securities with corporate finance activity is not a phenomenon confined to Swiss Bank, however aggressive this particular house has been in its application. All the big players do it to some extent nowadays. Gobbledygook, this might be, but it is important gobbledygook nonetheless. It could provoke quite a fight.

Kissing - and not making up - on radio

Radio may still be a bit of an after-thought as far as the big media players are concerned but that doesn't stop it suffering from some of the industry's worst afflictions. It is just as riddled with big egos and false gossip as TV and newspapers. No decision by a government quango will ever be accepted with grace. So it has proved with the Independent Radio Authority's award of the hotly-contested Yorkshire regional licence yesterday, which went to Kiss FM.

Rivals immediately cried foul - confidentially, of course, for many of them will be lining up again for the East Midlands licence and the hottest property of them all,

the FM licence for London (no one wants to anger the authority just now). But this time they have a point. The winning consortium is going to use the MSM national sales house, which already controls 61 per cent of the national market. The Radio Authority has in the past expressed concern about MSM's market dominance, but plainly it was not enough to make an issue of when awarding the Yorkshire licence.

Still, the award to a youth-orientated dance station shows encouraging signs of development at the authority, once ridiculed as old-fashioned and lacking in market savvy. Dance was identified as the format that would broaden choice and be financially viable. We did not, thankfully, see a repeat of the Viva syndrome - the award of a licence to a format that didn't stand a chance. Nor did we see another example of awarding licences to small, local players, who have subsequently been bought out by the big players, anyway.

The authority still has its romantic, of course. There are still board members who don't like the big boys of the industry - Capital, GWR, Emap and Chrysalis. But they are beginning to see that enhancing "fair and effective competition" - one of their main criteria - does not necessarily mean excluding those with the nous to succeed. Progress of sorts then, but it's a shame the authority didn't feel it necessary to consider the effects on fair competition of yet a further concentration of sales power at MSM.

Storehouse sells Blazer to Moss Bros for £7.1m

NIGEL COPE

Moss Bros, the menswear retailer, acquired a nice line in casual wear yesterday when it paid Storehouse £7.1m for Blazer, the chain of 28 men's clothing stores.

Moss Bros, which is better known for suits, plans to double the number of stores to around 50, which will include more branches outside its London and South-east stronghold. Currently there are no Blazer stores in cities such as Birmingham, Leeds and Sheffield. "You've got to go where the action is," said Moss Bros chief executive Rowland Gee.

More lower-price items will be added as well as "formal corners" that will sell dinner jackets. Blazer's own brand, De Havilland, will be emphasised, though some up-market brands such as designer jeans may be added.

Mr Gee said Moss Bros was buying Blazer to complement its other chains, which include Moss Bros, the Suit Company and Cecil Gee, all dominated by formal wear. Moss Bros had been tipped as a possible buyer for Austin Reed, the up-market retailer whose shares have been rising strongly in recent months.

"Casual wear is a growing market and Blazer is a very strong casual wear brand, particularly in the 25-54 age group," Mr Gee said.

Blazer was founded in London's Covent Garden in the early 1980s by David Krantz, who now runs Racing Green. It was acquired by Storehouse, which was then run by Sir Terence Conran. It has always struggled to make a profit and last year recorded profits of just £400,000 on sales of £14.8m.

Moss Bros is only acquiring the stores, stock and staff of the business and not the head office, warehouse or other systems. With lower central costs and more lower-priced items to increase shopper traffic, Moss Bros hopes to improve the group's financial performance.

Moss Bros has financed the deal through a placing of 622,807 new shares. Storehouse has been looking to sell the company as it concentrates on B&S and Mothercare. It first put the chain up for sale in 1992 but failed to find a buyer at an attractive price.



Dressing down: Rowland Gee, chief executive of Moss Bros Photograph: Jane Baker

centrates on B&S and Mothercare. It first put the chain up for sale in 1992 but failed to find a buyer at an attractive price. Storehouse will book a £5.1m exceptional charge on the deal, representing a goodwill write-off from the original purchase.

Storehouse shares added 7p to 325p. Moss Bros fell 32p to 1163p. Storehouse chief executive Keith Edelman received total pay of £910,000 last year, boosted by a £284,000 long-term bonus. This compares with a

total of £610,000 the previous year. Group development director Steve Bedford saw his pay jump from £436,000 to £556,000, due to a £306,000 bonus. Finance director Dick Steele's pay rose from £294,000 to £378,000.

Motor premiums set to increase

NIC CICUTTI

Motor insurance premiums look set to edge up in the coming year after insurers said yesterday that competition for business meant that they risked losing money on the policies they sold.

But holders of household insurance policies were offered a small ray of hope that the downward trend in the cost of their cover is set to continue, the Association of British Insurers said.

John Carter, chairman of the ABI, the industry's trade body, said: "General insurance policyholders have received major benefits from an extremely competitive insurance market over the past two or three years in terms of lower premium and improved cover. I am not sure that can continue."

The ABI's warning of higher prices for car drivers came as it released figures showing that the industry made overall losses of £34m in the UK market last year on premiums of £5.94bn. This compared with a £297m

profit on income of £6.37bn in 1994.

The trade body yesterday attributed the bulk of the premium fall to the scramble for business among insurers.

On the non-motor side, including household insurance, profits also dropped substantially in the UK, down to £403m

in 1995 from £950m the previous year.

A large slice of the profits downturn followed the cold winter weather, mainly in Scotland, which has so far led to claims worth £320m. Many more claims, mainly for business interruption, have yet to be determined.

Mark Boleat, director general of the ABI, said yesterday: "Premiums fell in many other classes of business, while insurance companies achieved good profits."

"Loss prevention measures played a major part in achieving this satisfactory position. However, insurance is sometimes an unpredictable business, as shown by the significant increases in subsidence and winter damage claims."

Insurers have tried to smooth out some of the losses by including much of the payments made so far in last year's accounts, where they have been buried by large profits recorded at the time. But some said yesterday that if last year's hot summer repeats itself, subsidence claims will rise even further.

Separately, life insurance companies reported an end in sight to the poor sales that have bedevilled the industry in the past three years.

Net premium income in the UK for life and pensions business reached £44bn, up 3 per cent on 1994.



'An unpredictable business': Mark Boleat of the ABI

MARKS & SPENCER

SAFETY RECALL BABY'S GREEN SHORT-LEG DUNGAREE AND STRIPED T-SHIRT 2 PIECE OUTFIT

('AUTHENTIC' BADGE ON LEFT LEG POCKET)

ALL SIZES
(3 months - 18 months)
SELLING PRICE £16

COLOUR	ITEM NUMBER
GREEN	T78 02805/1101

Marks & Spencer has established that some metal studs on the above dungaree may have been incorrectly applied and may come away from the garment.
The individual parts of the stud may be hazardous to small children.

This outfit has been on sale since mid March 1996 and has now been removed from display.

Customers who have purchased this outfit are asked to return it immediately to the Customer Service Desk at their local store where a full refund will be given.

Marks & Spencer apologises for any inconvenience caused to customers.

NO OTHER ST. MICHAEL PRODUCTS ARE AFFECTED.

St Michael

Bayer admits drugs demerger option

MAGNUS GRIMOND

Bayer, the German chemicals group, yesterday admitted that it was considering the option of spinning off its pharmaceuticals business as part of a merger deal. The trail for such a move was blazed three years ago when Imperial Chemical Industries demerged its Zeneca drugs and agrochemicals divisions.

A spokesman for Bayer said that although there were no immediate plans to demerge the pharmaceutical arm, this was one of the options the company may consider.

"We want to strengthen our health-care business through internal as well as external growth, and a spin-off is one of many options", he said.

The comment came after strong speculation earlier this week that the German group could spin off the drugs division, prior to a merger with a rival. Bayer's finance director, Helmut Loehr, was reported in the press as saying: "We are look-

ing for candidates, but haven't found anybody who meets our criteria."

However, a company spokesman warned yesterday that the comments "should not be misunderstood to be a precursor to an announcement of immediate plans."

He added: "Loehr merely spoke of options and spinning off the drugs business could be one such option, but there are no concrete plans to do anything like this immediately. Currently all the talk is merely hypothetical."

Bayer's shares were, however, excited by the rumour, jumping nearly 3 per cent in early trading yesterday. The moves followed hints dropped earlier this year by Jürgen Dornmann, chairman of Hoechst, a rival German chemicals group, that it was ready to consider spinning off its drugs business.

Since the Zeneca demerger, there have been a number of huge takeovers and mergers in the pharmaceuticals industry.

IN BRIEF

• The Investment Management Regulatory Organisation (Imro) has fined Credit Suisse Investment Funds (UK) £38,000 for incorrect pricing of unit trusts, failure to maintain adequate accounting and other records, and failure to maintain effective compliance arrangements. Imro said the breaches occurred between June 1994 and March 1995. Compensation of around £36,000 has been paid by CSIF to 899 unit-holders, and CSIF has paid £18,500 into the unit trusts. It has also waived £23,500 due to it arising from the calculation of unit trust prices. Imro said CSIF is also to pay Imro's costs of £16,500.

• Retail sales in the US rose 0.8 per cent in May, and only 0.3 per cent excluding auto sales. The increase was less than expected, and, along with a 6,000 rise in new claims for jobless benefit to 360,000 last week, suggested the revival in growth is less than some investors had started to fear. Even so, the Treasury bond market fell, continuing its recent weakness related to fears of rising inflation.

• The dispute between Eastman Kodak and Fuji Photo Film is being referred by the US to the World Trade Organisation. The announcement by Charlene Barshefsky, acting US trade representative, follows a year-long investigation into allegations by Kodak that the Japanese government colluded with Fuji Film to limit Kodak's market access to the Japanese photographic supply market. Ms Barshefsky said the US had determined that the Japanese government "built, supported and tolerated a market structure that thwarts foreign competition, and in which exclusionary business practices are commonplace".

• New car registrations in western Europe increased 5.8 per cent in May to 1,167,900 from 1,103,400 a year earlier, according to the European car makers' association ACEA. Registrations in the EU countries rose 5.9 per cent to 1,126,500, while registrations in the two Efta countries were up 4.8 per cent to 41,700. The sharpest rises were 48.4 per cent in Ireland, 43.8 per cent in Austria and 28.6 per cent in Norway.

Predatory proprietors revel in a tussle with the law

Did you read the Times on Monday? At just 10p you could pick up several with the loose change from a packet of cigarettes. Of course Mr Murdoch is not making a profit from his latest gimmick - but keeping the daily cover price at 20p wasn't too profitable either, and he kept that up for 16 months. For all the rise in prices at the end of last year, it seems that the newspaper cover-price war is back with us once more.

Mr Murdoch's News International has been accused of unethical and anti-competitive behaviour; subsidising price cuts with profits earned elsewhere in order to bully and destroy other competitors. Predatory pricing, it's called.

The Office of Fair Trading disagrees. Called in to investigate when the Times and the Telegraph cut their prices in the summer of 1994, the then director general, Sir Bryan Carsberg, concluded that there was nothing to worry about.

It would be easy to see this as another British failure to enforce competition. Could it be that we should change our method for catching predators - perhaps along US or European lines?

Sadly it isn't as easy as that. There is, in Sir Bryan's words, "a fine line between aggressive competition and predatory behaviour". No matter how tough your laws, it can often be hard to distinguish between the two. And no matter how malign you may believe Mr Murdoch's intentions, it's almost impossible to pin anything on him.

Predatory pricing is a problem for competition authorities because in the end it is anti-competitive. Big dominant companies cut their prices to get rid of a small irritating competitor. Although both make losses

INDUSTRY VIEW
YVETTE COOPER

In the short run, the big guy has the financial resources (the deep pockets) to hold out for longer, and the smaller company is pushed out of business. The most effective and efficient predator is swift and silent; competitors will decide quickly that they cannot win, and quietly bale out to cut their losses. Or - if they are potential competitors - they will not enter the market at all. Having dealt with the young whippersnapper, the big bruiser can raise its prices - and its profits - once more to compensate for the earlier losses.

Luckily for that put-upon consumer, the occasions when predators work to get rid of existing companies are extremely limited. Aggressive price wars in practice are often risky and counter-productive. If the ferocious little guy turns out to have deep pockets itself, it might decide to call the predator's bluff. And even if the victim retreats, bloodied, what would stop someone else entering the market and starting the whole chain all over again?

Companies considering predatory strategies need to feel confident that they won't topple straight into

Occasions when the strategy works to get rid of existing companies are limited

and mini-buses have been at it like crazy in towns across the country. Of the eight OFT reports dealing with predatory behaviour from 1988 and 1995, seven were on buses. From Inverness to Darlington, from Fife to Southend-on-Sea, bus companies have engaged in all kinds of furious strategies to achieve market dominance and push each other off the streets.

When the OFT reported on Darlington buses last year, it concluded that United Bus - unlike the Times - was guilty of predatory pricing.

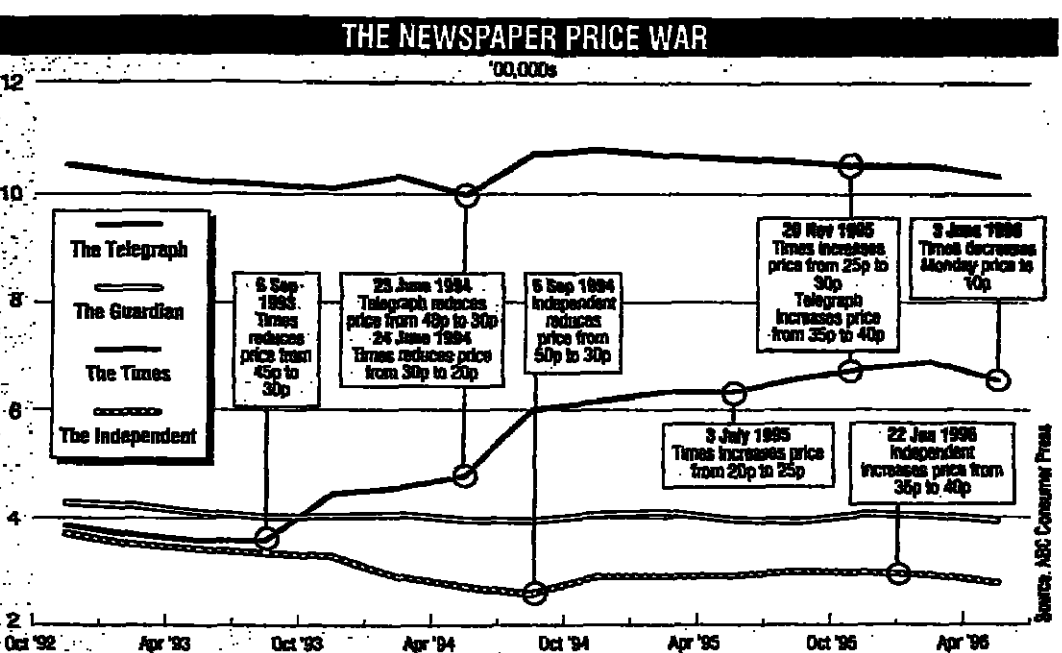
For a start, United was pursuing a strategy which increased its losses. When Your Bus, a new company, started up minibuses on certain Darlington routes, United Bus went

ballistic. Although it didn't cut ticket prices, it did stuff the streets with extra buses of its own. According to the allegations, United minibuses even hung out on street corners to nip out in front of an on-coming Your Bus and nick all the passengers at the next bus-stop. The OFT calculated that running the extra 13 buses cost United over £10,000 a month.

So far the Times would seem as guilty as United. It too increased its losses with the 20p cover price although circulation rose from 358,000 in 1993 to around 660,000 today. And Mr Murdoch is certainly losing money on the 10p Monday edition. After all, the Times has to pay 10p for every copy to retailers and wholesalers.

But this in itself is not enough to find Mr Murdoch (or United) guilty of predatory behaviour. Loss-making strategies can still be competitive if they are designed to push up demand for the product to profitable levels, regardless of what anyone else is doing. Suppose, for example, the cheap Times on Monday pushes sales up throughout the week, it could be a legitimate strategy for reducing losses - a "loss leader", as it is sometimes known. Similarly the OFT adjudicated that the Times' original price cuts were a legitimate strategy to boost circulation in the face of continuing losses.

So the OFT goes searching for further evidence. The next important question is whether the companies really have market power to manipulate. United clearly was a dominant player, with its 45 per cent of Darlington bus rides. The Times has only 28 per cent of the broadsheet market - 12 per cent if you include the Express and the Mail. Even if the Independent was pushed out alto-



gether and the Times acquired all our readers, it would still eat up 17 per cent of the larger market. This, for Sir Bryan Carsberg, was decisive in showing that Rupert Murdoch could not be guilty of predatory pricing. If one newspaper had indeed been knocked out of the game, Sir Bryan believed competition from the remaining papers would not allow the Times to make "supra-normal" profits by pushing prices up high afterwards anyway.

In other words, as far as the OFT was concerned, predatory pricing was not a feasible strategy in the broadsheet newspaper market. The evidence appears to prove it right, if for different reasons. Price, it appears,

Foreign Exchange Rates

Country	Spot	1 month	3 months
US	1.5295	5.3	11.8
Canada	0.6089	1.3	3.0
Germany	2.3482	5.1	10.2
France	7.0757	5.3	10.2
Italy	2.3674	5.3	10.2
Japan	168.84	7.5	25.2
ECU	1.4819	5.1	11.8
Belgium	4.3639	5.3	10.2
Netherlands	5.0370	5.3	10.2
Denmark	2.2891	5.3	10.2
Sweden	0.9721	7.3	20.4
Norway	1.0440	10.0	30.0
Spain	168.23	21.3	68.8
Switzerland	1.0278	0.4	1.0
Australia	1.5971	5.4	15.2
New Zealand	1.9294	20.3	67.5
South Africa	1.6482	10.1	29.7
South Korea	3.8104	0.0	0.0
India	2.2718	4.5	10.2
Singapore	2.5356	0.0	0.0

Interest Rates

Country	Rate	Term
UK	5.75%	Discount
Germany	5.25%	Discount
France	4.50%	Discount
Italy	3.00%	Discount
Japan	5.00%	Discount
ECU	5.00%	Discount
Belgium	5.00%	Discount
Netherlands	5.00%	Discount
Denmark	5.00%	Discount
Sweden	5.00%	Discount
Lombard	4.25%	Discount

Bond Yields

Country	Rate	Term
UK	7.1%	7.125
Germany	6.2%	6.25
France	5.9%	5.9
Italy	6.2%	6.2
Japan	5.0%	5.0
ECU	5.0%	5.0
Belgium	5.0%	5.0
Netherlands	5.0%	5.0
Denmark	5.0%	5.0
Sweden	5.0%	5.0
Lombard	4.25%	4.25

Money Market Rates

Country	Rate	Term
UK	5.75%	Discount
Germany	5.25%	Discount
France	4.50%	Discount
Italy	3.00%	Discount
Japan	5.00%	Discount
ECU	5.00%	Discount
Belgium	5.00%	Discount
Netherlands	5.00%	Discount
Denmark	5.00%	Discount
Sweden	5.00%	Discount
Lombard	4.25%	Discount

Life Financial Futures

Contract	Settlement	High/Low	Est/Cont	Open
Long Gilt (Jun '96)	104.05	104.05	104.05	104.05
Short Gilt (Jun '96)	104.05	104.05	104.05	104.05
Long Gilt (Sep '96)	104.05	104.05	104.05	104.05
Short Gilt (Sep '96)	104.05	104.05	104.05	104.05
Long Gilt (Dec '96)	104.05	104.05	104.05	104.05
Short Gilt (Dec '96)	104.05	104.05	104.05	104.05

Industrial Metals

Commodity	Price	Unit
Aluminum	1400-1420	\$/ton
Copper	2200-2220	\$/ton
Lead	785-800	\$/ton
Nickel	785-800	\$/ton
Zinc	1025-1035	\$/ton

Precious Metals

Commodity	Price	Unit
Gold	327.5	\$/ounce
Silver	18.75	\$/ounce
Palladium	128.75	\$/ounce
Platinum	128.75	\$/ounce

Other Spot Rates

Country	Rate	Term
US	1.5295	5.3
Canada	0.6089	1.3
Germany	2.3482	5.1
France	7.0757	5.3
Italy	2.3674	5.3
Japan	168.84	7.5
ECU	1.4819	5.1
Belgium	4.3639	5.3
Netherlands	5.0370	5.3
Denmark	2.2891	5.3
Sweden	0.9721	7.3
Norway	1.0440	10.0
Spain	168.23	21.3
Switzerland	1.0278	0.4
Australia	1.5971	5.4
New Zealand	1.9294	20.3
South Africa	1.6482	10.1
South Korea	3.8104	0.0
India	2.2718	4.5
Singapore	2.5356	0.0

Tourist Rates

Country	Rate	Term
US	1.5295	5.3
Canada	0.6089	1.3
Germany	2.3482	5.1
France	7.0757	5.3
Italy	2.3674	5.3
Japan	168.84	7.5
ECU	1.4819	5.1
Belgium	4.3639	5.3
Netherlands	5.0370	5.3
Denmark	2.2891	5.3
Sweden	0.9721	7.3
Norway	1.0440	10.0
Spain	168.23	21.3
Switzerland	1.0278	0.4
Australia	1.5971	5.4
New Zealand	1.9294	20.3
South Africa	1.6482	10.1
South Korea	3.8104	0.0
India	2.2718	4.5
Singapore	2.5356	0.0

Life FT-SE Index Option

Contract	Settlement	High/Low	Est/Cont	Open
Long Gilt (Jun '96)	104.05	104.05	104.05	104.05
Short Gilt (Jun '96)	104.05	104.05	104.05	104.05
Long Gilt (Sep '96)	104.05	104.05	104.05	104.05
Short Gilt (Sep '96)	104.05	104.05	104.05	104.05
Long Gilt (Dec '96)	104.05	104.05	104.05	104.05
Short Gilt (Dec '96)	104.05	104.05	104.05	104.05

Commodity Indices

Commodity	Price	Unit
Gold	327.5	\$/ounce
Silver	18.75	\$/ounce
Palladium	128.75	\$/ounce
Platinum	128.75	\$/ounce

Latest Unit Trust Prices

Unit Trust	Price	Change
Long Gilt	104.05	0.00
Short Gilt	104.05	0.00
Long Gilt	104.05	0.00
Short Gilt	104.05	0.00

Industrial Metals

Commodity	Price	Unit
Aluminum	1400-1420	\$/ton
Copper	2200-2220	\$/ton
Lead	785-800	\$/ton
Nickel	785-800	\$/ton
Zinc	1025-1035	\$/ton

Precious Metals

Commodity	Price	Unit
Gold	327.5	\$/ounce
Silver	18.75	\$/ounce
Palladium	128.75	\$/ounce
Platinum	128.75	\$/ounce

Dutch top seed pulls through

Sampras at Wimbledon last year and went on to win the Australian Open in January, expressed satisfaction with his recovery from a thigh injury which caused him to miss the French Open.

Mongia gives India scant consolation

Although a grassy pitch provided assistance to the pace bowlers, India's pre-lunch collapse after being put in was down to poor batting. Devon Malcolm bowled with pace and accuracy to finish with 4 for 60.

Mongia has been pencilled in to open in next week's second Test match at Lord's and he justified that promotion with an accomplished unbeaten 74. However, the recognised batsmen failed again, with the captain Mohammed Azharuddin scoring only 21 as Derbyshire bowled the tourists out for 229 in 66 overs.

The Indians, who rested Sachin Tendulkar, were facing big problems at one stage when they slumped to 110 for 8, but the last two wickets added 119 to put the earlier batting into perspective.

Mongia was a notable exception as he occupied the crease for just short of four hours to supervise a partial recovery. Sali Ankola opted for a vivid counter-attack which brought him a career-best 45 including two sixes and six fours from only 35 balls in an eighth-wicket stand of 58 in 10 overs.

When Derbyshire batted, Ankola, who joined the tour last week, had Tim Teweats caught behind in the eighth over. Derbyshire closed on 80 for 3.

Lenham solves the puzzle

Lenham solves

sex were bowled out for a meagre 157 after winning the toss at Bristol. However, that score was made to look respectable as Gloucestershire

It was by no means an impossible pitch and there were some red-faced batsmen on both sides, as only Neal Lenham's 70 for Sussex interrupted the bowler's dominance. Courtney Walsh put Sussex in trouble by removing Bill Athey for a duck and Alan Wells for one with only eight runs on the

Lenham's 70 came off 125 balls, with 13 fours—a tremendous effort on a day when only three other players managed to get past 20. Once the partnership with Moores was broken, Alleyne quickly mopped up the tail with his medium pace.

Gloucestershire were struggling from the moment Nick Traimor departed for four in the opening over from Vasher's Drakes, and then Andrew Symonds was caught trying to hook Ed Giddins.

Tetley Challenge Series
(First day of three; today 11.0)
Derbyshire v India[illegible]

TOTAL RUNS
 Top bats: 3-6, 2-50, 3-53.
 To bat: M R May, P A J DeFreitas, Y H M
 Krishna, A J Harris, D E Malcolm, J K Dean.
Bowling: Srinani 5-1-12-0; Anikol 8-1-3-1;
 34-1; Wharmby 10-3-19-1; Murrell 8-6-7-1;
 Raju 1-0-5-0.
Umpires: K E Palmer and J A Bond.

WOMEN'S FIRST ONE-DAY INTERNATIONAL
 (Women's): England 139 for 6 (50 overs), New
 Zealand 1 for 2 (33.3 overs). New Zealand
 won by eight wickets.

Starting today

FIRST CLASS MATCH (Fenner's): three
 days, including Sunday, 11.0: Cambridge
 University v Hampshire.

RAIN HOGGY TROPHY (One day, 11.0): Milton
 Keynes (Cambs) Park: Normanspore
 off v Minor counties. Sharnley: MCC VCs

SPORT



PLAY FORMULA 1 DREAM TEAM: WIN A DRIVE IN
A GRAND PRIX CAR See Section Two, page 17 for details

Faldo and Monty give monster a run for its money

Golf

TIM GLOVER

Colin Montgomerie shot 70 and looked suicidal; Nick Faldo shot 72 and was positively philosophical. "I've left my birdie barrage for another day," Faldo said. Neither tamed the "monster," as Oakland Hills is called although several Americans were under par.

The most extraordinary thing about the US Open is not that Monty scored level par and was disgruntled but that the course behaved so well after being lashed by a violent thunderstorm on Wednesday. Groundstaff were working until midnight, pumping water from the fairways, greens and bunkers. The eighth fairway, for example, was under six feet of

water but yesterday there wasn't a trace. At least three inches of rain fell in less than an hour but that is only an estimate. The computer that records such statistics was short circuited by the rain.

There were the occasional soggy lies, and if the greens were not as firm as the United States Golf Association would have liked, they were not as slow as had been anticipated. On the stimpeter, the device that measures the speed of greens, the reading was an extremely healthy 11. "The course," Faldo said, "was playing great. There were some tight pin positions but everything was almost perfect."

Faldo, the Masters champion, said the man who wins the US Open will have to "churn out the pars." In the first round

Faldo had 16 pars, two bogeys. He opened with a par barrage. "I didn't hit it close enough with my irons," he said. "That was about the worst score I could possibly have had." In contrast to Montgomerie, and the Irishman Philip Walton, who shot a one under par 69, Faldo did not give an impression of a metronome.

He hit the ball to the right at the 2nd, 5th, 6th, 8th, 10th, 14th and 18th holes and was clearly in need of some more fine tuning with his coach, David Leadbetter. Faldo's dropped shots came at the 7th where he hit a six-iron into a bunker and the 15th where he three-putted. Like John Daly, Faldo is using a zero-iron, which has a loft of 12 degrees. He used it on seven occasions yesterday. "It has the same effect as a three-

wood and is perfect for this course," he said. Montgomerie and Walton, European Ryder Cup colleagues, played almost flawless golf but once again Monty was dissatisfied. "I didn't convert my opportunities and that

is something you simply have to do. I was hoping for a lot better. I missed a lot of chances." Montgomerie appeared on the leaderboard - the front-runners were the former US Open champions Payne Stewart, with 67, and Lee Janzen, with 68 -

until he bogeyed the 18th. He hit his approach shot to the left of the green, his chip out of the rough was too strong and he missed a 10-foot putt coming back. "It was a very disappointing way to finish," he said. Monty had three birdies, which was three more than Faldo, but had a four at the par three ninth, where his ball was plugged in a bunker. "I was very unlucky," he moaned. There was a similar refrain when he lost a winning position in the Alamo English Open at the Forest of Arden last Sunday.

Walton missed only two fairways and birdied the 2nd, 8th and 10th. The second hole measures 523 yards and Walton was on in two with two drivers. At the 8th, he holed a 20-foot putt from around 15 feet. He

bogeyed the 7th and 12th and was fortunate at the 16th where he drove into the left rough but gained relief on the grounds of casual water.

Ian Woosnam joined Faldo on 72. The Welshman, who birdied the first, said: "I'm driving badly, putting badly and hitting my irons badly." Apart from that his game was OK. "It's driving me nuts," he said. "The fairways look about as wide as my ball."

Woosnam was playing with Tom Watson, who gained a rare birdie at the punishing 18th for a level par round of 70. At 465 yards, the 18th plays more like a par five than a four but the 46-year-old Watson hit driver, 5 iron and rolled in a 15-foot putt for a three.

Watson, who won the Memorial Tournament two weeks ago,

ending a nine-year barren run, has been plagued by putting problems but yesterday he said: "My long putting wasn't real good but I made a lot of short putts and I'm very happy about that. I can't complain about a 70. Any time you shoot even par in the US Open you've played a good round of golf." He should try telling that to Montgomerie.

If Oakland Hills Country Club is the place to churn out pars, Detroit, of course, is the car churning capital of America and a couple of appropriate names appeared on the leaderboard after the first round: Ford and Austin. Bob Ford, playing in only his third US Open at the age of 42, shot 69 and Woody Austin, making his debut in the national championship, had a three-under-par 67 to join Stewart.

Romanians on way home after 'robbery'

Football

GUY HODGSON
reports from St James' Park
Bulgaria
Romania



Romania became the first team to go out of Euro 96 as ill fortune bedevilled them at St James' Park yesterday. On Monday a slip by their goalkeeper condemned them to a defeat by the French; this time it was an error by officialdom that cost them at least a draw and their place in the tournament.

With no points from two Group B games, even if they win their final match against Spain at Eland Road on Tuesday it

will not be enough for them to survive. It was an unjust outcome to a match in which a television replay proved they should have had an equaliser.

The "goal" that never was came on the half hour when Gheorghe Hagi dummed to send over a long cross from a corner on the right and then played it instead to the corner of the area to Dorinel Munteanu. The Cologne midfielder crashed his 25-yard drive against the bar, the ball bounced down and then out, and as the Romanians protested, Trifon Ivanov headed the ball away.

Unlike England's third goal in the World Cup final of 1966, there would not be arguments raging about it 30 years later because the television replay

showed that the ball had crossed the line by about a foot. When the subject of a television-armed second referee in the stands comes before the game's governing body, Fifa, expect Romania to vote for it.

Bobby Mihailov, Bulgaria's goalkeeper, said: "I didn't see the ball. It's not my problem whether it crossed the line. If it did I would remind you: this is how England won the 1966 World Cup."

The final result was even less satisfactory, because the Romanians dominated the second half, pinning the Bulgarians into their own area for much of the time. Before the match, Reading's Mihailov had suggested that this meeting of Balkan neighbours would have the intensity of a derby. "A bit like Reading against Oxford," he said, tongue in cheek, but neither Thames valley side, with due respect, has anyone anywhere remotely in the class of Hristo Stoichkov.

Yesterday the Bulgarian striker scored a goal after two minutes that even great players rarely achieve at this level. Receiving a pass 40 yards out from the game's best player,



Bulgaria's Luboslav Penev (left) tackles Romania's Gheorghe Popescu at St James' Park yesterday

Photograph: Clive Brunskill/Allsport

Krasimir Balakov, he turned so sharply that his marker, Miodrag Belodedic, slipped. Free to run at the Romanian rear-guard, Stoichkov dummed to his left to give himself an extra yard and, as he entered the area, stabbed the ball with his left foot

instead of the expected right, squeezing the ball past Bogdan Stelca.

After his penalty against the Spanish, he now has two goals in two matches in Euro 96 and is on his way to emulating his feat of the 1994 World Cup of

being the joint top scorer of the tournament.

Some teams would have crumpled against such genius but Romania battered at the Bulgarian door in search of survival. Hagi had a free-kick punched away from the top cor-

ner by Mihailov, Daniel Prodan nearly found the net with a diving header after 68 minutes, even in injury time Prodan almost made the most of a scramble in the area, his shot shaving a post. The equaliser did not come and, indeed, the best

chance of the second half fell to their opponents when Nasko Sirakov back-heeled audaciously to put Yordan Lechkov clear. A second Bulgarian goal would have added insult to injustice and it was only right that Stelca blocked the shot.

THE INDEPENDENT CROSSWORD

Need a new word?

Find thousands more in the Franklin Wordmaster.

Thursday's solution

1. BACON
2. COLD
3. HOT
4. WARM
5. COOL
6. HOT
7. COLD
8. HOT
9. COLD
10. HOT
11. COLD
12. HOT
13. COLD
14. HOT
15. COLD
16. HOT
17. COLD
18. HOT
19. COLD
20. HOT
21. COLD
22. HOT
23. COLD
24. HOT
25. COLD

- ACROSS**
- Throat finding dead bit of fruit in the Chardonnay? (8)
 - A job, perhaps, is the result (6)
 - Illuminated hill with a bit of light from the seashore (8)
 - R. Ties flowing round in two channels (6)
 - The Parisian runs with energy, producing only slow movement (5)
 - Schemer confusing antic with antic? Not new (9)
 - Coming on parade with nothing is an emotional experience! (7,2,4)
 - Is she "stationed" not far from Buckingham Palace? (5,8)
 - Dubious trade with cove performed too intensely (9)
 - Trap: this answer occurs reversed in another answer (5)
 - Iron isn't processed for activities with steel shafts (6)
 - Girl is restricted by permit from law expert (8)
 - Part of dress old boy turned back, taking gamble (6)
 - Noisy Conservative most recently ousted Liberal (8)
 - DOWN
 - Fauna file? (8)
 - Expected ancient city to be found in South African province (7)
 - Post Office confiscating stolen picture (5)
 - Ancient house and tree, say, with historical period clear (11)
 - Item of lingerie - tie top and act wantonly (9)
 - Drugs girl having prominent part in story (7)
 - Tricky? God, no - not advanced (6)
 - Zesty stuff from police reformer after prison became obsolete (7,4)
 - I last line ineptly, without flexibility (9)
 - Clearly one can escape without fuss (8)
 - Queen - Queen that is seen with Duke - raised questions (7)
 - Fully comprehend about almost all I see is incomplete (7)
 - Tory leading extremely good discussion (6)
 - The beginning is sweet, perhaps (5)

THE FRANKLIN SCRAMBLE Make the longest word you can from PICHENED. Last Saturday's Scramble: CARTRIDGE

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Southgate set to step forward for England

Gareth Southgate could move forward into midfield when England take on Scotland tomorrow, with David Platt probably kept out by a rib injury. Platt has not trained properly since the England squad re-assembled on Monday night. England will need reinforcements to aid Paul Gascoigne and Paul Ince in the centre, where they will confront Gary McAllister, Stuart McCall and John Collins. The options for the England coach, Terry Venables, are limited, his only alternative being Jamie Redknapp, who did not impress against China. Southgate has taken to international football like a natural and before he joined Paul McGrath in the Aston Villa defence he had performed with great credit in Crystal Palace's midfield in their relegation season.

Pushing him forward would be a strong variation on the

three-man defence Venables introduced for England, giving the option of either Southgate or Ince stepping into the back line at times of pressure.

There was better news for England with Darren Anderton returning in yesterday's single, but lengthy, training session at Bisham after struggling for the last two days with a sore hamstring. The Tottenham winger could switch to the left flank on Saturday, with Nottingham Forest's right-sided Steve Stone coming back into the side to add further solidity.

Steve McManaman has divided England followers between those impressed with his ability to take on and beat opponents, and those appalled at the quality of his crossing. Venables will want accurate service to a more orthodox front two, with Robbie Fowler his probable secret weapon alongside

Alan Shearer. Anderton is comfortable on either flank and a rest might prove a godsend for the wrong-footed McManaman on the left.

Venables will tell his players today who will face the auld enemy, but again he will not tell his public until just before the match. Scotland could pitch the Celtic full-back Iesh McKinlay into the match. He looks set to return to Craig Brown's line-up, if Scotland revert to a five-man defence against whatever opposition Venables selects. Scotland's injury worries are clearing in time for the crucial confrontation, with Stewart McKimmie, John Collins and Gary McAllister all likely to be ready for selection. McKimmie, the Aberdeen defender who has been nursing a knee injury for some time, did not train yesterday.

Sacchi rotating his resources

Fabrizio Ravanelli was yesterday recalled by Italy for tonight's European Championship match against the Czech Republic at Anfield as the coach, Arrigo Sacchi, made a surprising five changes.

Ravanelli, the Juventus striker, will be partnered by the 59m Parma forward, Enrico Chiesa, who makes his senior international debut. Sacchi rests Gianfranco Zola and front-line partner Pier Luigi Casiraghi, the man who scored both goals in the opening 2-1 win against Russia. Another casualty is Alessandro del Piero, who loses his place to Roberto Donadoni, his half-time replacement on Tuesday.

There are two other changes in midfield, with Diego Fuser and Dino Baggio drafted in for Angelo Di Livio and Roberto di Matteo. Sacchi, who retains his entire defence, had always

planned to rotate his strong squad and knows that victory will take his side into the quarter-finals.

Sacchi, explaining his selection, said: "Revolution is not the right word - there are only three changes from the team which finished against Russia." Donadoni, Ravanelli and Fuser all went on as substitutes after the interval against the Russians, but the Italian coach came under fire for leaving out strikers Casiraghi and Zola for the game against the Czech Republic.

Sacchi countered the criticism, saying: "The night before the game against Russia no one wanted them. I've taken criticism from everybody, but I believe that leaving them out is in the interests of the team and of the two players as well."

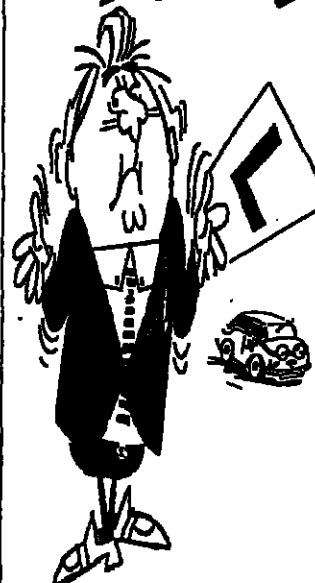
The Italians will have had only two clear days between

matches and their coach added: "You can't play in the European Championship with only 11, 12 or 13 players - and I have great faith in all my 22."

Antonio Oliveira, the Portuguese coach, insists he will never compromise on his ambition to make his team the most technically gifted national team in Europe - even at the risk of sacrificing victory against Turkey in this afternoon's vital group D clash in Nottingham. "It is always important to win, but I never want to win by playing badly," Oliveira said.

Cynics have reserved judgement on Portugal's imaginative opening performance against the holders, Denmark, last Sunday after they dominated the game but could only draw 1-1. ONLY (against Czech Republic, Austria, tonight; France, Germany, Monday (both 10.00pm); Poland, Czech Republic, Tuesday (both 10.00pm); France (Lazio), Scotland (Aberdeen), Bulgaria (Parnet), Denmark (New York) Wednesday; Romania (Liverpool), China (Sampdoria).

TEST DRIVE YOUR BRAIN



WALK | | NEXT
ZERO | | CALF
EVEN | | ADDS
KNIT | | INTO
CLAD | | FLEE
KERB | | YELP
GERM | | ROAD

On each line place a letter in the space which, when substituted for the first letter of the word either side, will form another word in each case. The seven letters used will give another word reading downwards. What is it?

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